



CANADA AT WAR

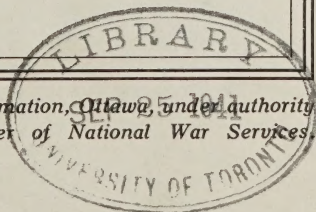
A Summary of CANADA'S PART IN THE WAR


Revised to September 1st, 1941

THIS booklet is one of a series of releases intended to serve as source material for speakers and for those who ask for up-to-date information about Canada's participation in the war. It is revised monthly and contains the most recent of available facts and figures.

September marks the second anniversary of Canada's entry into the war. This issue contains a special foreword by the Minister of Justice, Rt. Hon. Ernest Lapointe, who is Acting Prime Minister during Mr. King's visit to Britain.

Issued by the Director of Public Information, Ottawa, under authority of the Hon. J. T. Thorson, Minister of National War Services.





Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

FOREWORD

by

RT. HON. ERNEST LAPOINTE,
Minister of Justice and Acting Prime Minister

Two years ago Canada went to war. With Hitler driving through Poland in his first bloody conquest, the quiet declaration of a virtually unarmed Dominion far across the sea was no world-shaking event. Canada had little to offer except high resolve and a certain distinction as a fighting nation gained in the Great War, 1914-1918.

Yet the first warlike action of the Dominion of Canada, to those who had eyes to see, was a significant and ominous prelude to all that the new world has done in the last two years, and to all that it will do till victory is won. Six days after a state of war had been declared between Canada and Germany, the first group of convoyed ships to sail from the Dominion to Britain put out of an eastern Canadian port and safely reached its destination. The new world's riches were already flowing eastward to sustain the nations which had undertaken a struggle that is not theirs alone.

How that flow has deepened and widened in the two years that have now passed! From Canada and the United States food, supplies and munitions are sent in ever-increasing quantities; from Canada, ever more airmen go out to fight the battles of the skies, legion after legion of eager soldiers departs, and ship after ship weighs anchor to hunt the lurking submarine. Behind this flow, like a mighty reservoir pushing it on, lie the farms, the factories, the training schools and camps, the homes and hearts of Canada—and all the moral and material resources of this great continent.

The human record of these happenings do not appear in this little booklet. It is just a factual summary. But between its lines a story may be read—the story of Canada's answer to the challenge of the wicked dictatorships which threaten to enslave the world.

CONTENTS

	PAGE
GENERAL SUMMARY.....	7
CANADA'S ARMED FORCES.....	9
The Navy.....	9
Strength of the Navy—The Navy Overseas—The Navy in Canada and in Canadian Waters—Casualties	
The Army.....	11
Strength of the Canadian Army (Active and Reserve)— Strength of the Canadian Active Army—The Canadian Active Army on Home Defence—Strength of the Canadian Reserve Army—The Army Overseas—The Active Army in Canada—Equipping the Army—Casualties	
The Air Force.....	15
Strength of the Air Force—The Air Force Overseas— The Air Force in Canada—The British Commonwealth Air Training Plan—Casualties	
Technical Training for the Forces.....	18
Total Casualties.....	18
Citations and Decorations.....	18
Reinforcements.....	18
Women's Auxiliary Services.....	19
Cadets.....	19
AID TO BRITAIN.....	19
Close and Continuous Consultation.....	19
Military and Scientific Co-operation.....	20
Economic Co-operation.....	21
Sending Supplies to Britain—Financial Aid to Britain— Other Types of Economic Co-operation	
Citizens' Voluntary Aid to Britain.....	22
Work of Canadian Civilians in Britain.....	23
HOME DEFENCE AND SECURITY.....	24
EQUIPPING THE ARMED FORCES.....	25
Building a War Industry.....	25
Construction.....	25
Production.....	26
Ships.....	26
Aircraft.....	27
Tanks.....	27
Army Vehicles.....	28
Guns.....	28
Machine Guns.....	28
Rifles.....	28
Shells.....	28
Small Arms Ammunition.....	29
Chemicals and Explosives.....	29
Personal Equipment.....	29
Miscellaneous.....	29
Equipment on Order.....	29
Contracts Awarded.....	30

CONTENTS—Continued

	PAGE
THE WAR AND THE CANADIAN ECONOMY.....	30
Economic Expansion.....	30
Increased Activity—This is Expansion for War—The Greatest Single Undertaking in Canada's History	
Wartime Controls.....	32
The Part of Private Business—Government Powers— Economic Policy	
How Canada Has so Far Met the Problems of War Supply....	35
Providing the Stuff of War—General Plan so far Followed —General Steps Taken—Specific Measures (Machine Tools: Electric Power: Oil: Coal and Coke: Timber: Steel and Iron: Metals, Minerals and Alloys: Chemicals: Shipping: Miscellaneous)—Co-operation with Britain and the United States	
The Necessaries of Life.....	45
Functions of the Wartime Prices and Trade Board up to August 29, 1941—Work of the Board—Difficulties Faced	
Agriculture and the War.....	46
The Agricultural Supplies Board—Food for Britain	
Labour and the War.....	49
Labour Supply—Labour Relations—Government Moves in Labour Disputes—Industrial Security—Transit	
Foreign Exchange Control.....	53
Canada's United States Dollar Problem—Conserving United States Dollars—Other Foreign Exchange Control Measures	
FINANCIAL UNDERTAKINGS.....	55
Wartime Financial Policy.....	55
War Spending.....	56
War Taxes.....	57
War Loans and Savings.....	59
"Balancing" the Budget.....	60
War Economies.....	60
VOLUNTARY CONTRIBUTIONS AND SERVICES.....	61
Contributions.....	61
Services.....	62
WAR ADMINISTRATION.....	63
THE UNITED STATES AND THE CANADIAN WAR EFFORT.....	64
Canadian Purchases in United States Increased Because of War.....	64
The Hyde Park Declaration.....	64
Canadian Exports to United States Increase.....	65
Canada Must Still Conserve United States Dollars.....	65
A Sound Canadian Economy Benefits Americans.....	66
Further Significance of Hyde Park Declaration.....	66
Discussions on Economic Co-operation.....	66
Canada and the United States Co-operate for Defence.....	67
Canada and the United States Plan Joint Hemisphere Defence	68
Canada gets American Destroyers.....	69
Americans in the Canadian Armed Forces.....	69

GENERAL SUMMARY

Canada has been at war for two years. Four days after Britain went to war in September, 1939, the Canadian Parliament assembled and the Government announced that it advocated placing Canada in the war at the side of Britain and her Allies. The Dominion was completely at liberty to make war or to abstain from making war, and it was Parliament's duty to decide whether or not to support the Government in its decision. After the proposal had been freely discussed for two days, the Government was accorded Parliament's support by a nearly unanimous division, and on the following day, September 10th, 1939, war was declared on Germany. When Italy began hostilities on June 10th, 1940, Canada at once declared war on her.

Two years ago the Dominion was a relatively weak military power. During the years 1936-39 action was taken to modernize and expand the Canadian armed forces and to prepare measures for the defence of Canadian territory. The 1939 estimates provided about \$64,500,000 for the three Services: Navy, Army and Air Force. This was by far the largest sum ever allocated in Canada for defence in time of peace. Nevertheless these pre-war steps were limited by a peace-time budget. Canada went to war with armed forces whose size was insignificant in comparison with those of European nations and with her industrial plant operating almost entirely on a peace-time basis.

In the last two years, however, Canada has steadily built up a war machine that has already proved its value and which possesses very considerable potential strength. Since the beginning of the war the Dominion has diverted more and more of her resources, both human and material, into her war effort. In the present fiscal year Canada is spending about 40 per cent of the national income for war. This is about \$200 for every man, woman and child in the Dominion. It amounts to more than the whole of Canada's war expenditure during the last Great War. The national income of the United States during the present fiscal year has been estimated to be nearly fifteen times as large as the estimated national income of Canada. In terms of the relative national incomes of Canada and the United States,

Canada's total war spending would therefore be equivalent to an expenditure by the United States in a single year of \$35,000,000,000 for defence and for the lend-lease aid to Britain.

Approximately 320,000 Canadians are serving in the active armed forces of the Dominion abroad and at home. They have been enlisted on a voluntary basis for the duration and will go anywhere whenever required. The population of the United States is more than ten times that of Canada. The roll-call of the Canadian Navy, Army and Air Force, in terms of the relative populations of the United States and Canada, is thus equivalent to an armed strength of over 3,200,000 men. More than 100,000 Canadian sailors, soldiers and airmen are now serving overseas.

On the industrial front Canada's manufacturing capacity is now largely occupied with the production of war materials. Plants throughout the country have turned from ordinary to war production. Millions of dollars have been invested by private business in plant additions and equipment necessary for war manufacture, and the Canadian and British governments have underwritten more than \$520,000,000 for the same purposes. Manufacturing employment has increased very markedly since the outbreak of war, and about half the persons so employed are more or less directly engaged on production associated with wartime needs.

Canada is in full agreement with Britain on plans for the conduct of the war for the immediate future. The Canadian Government has assured the British Government that Canada has only one object—a full-out contribution with everything Canada has and as fast as she can give it. Canada is continually adding to the strength of her overseas forces, and is prepared to have them go wherever their services may count for most.

CANADA'S ARMED FORCES

Apart from the Reserve Army of 170,000, Canada's armed forces (Navy, Army and Air Force) now number about 320,000 men. Of these over 100,000 are overseas. In addition, some thousands of Canadians are serving with British forces.

The Navy

Strength of the Navy

The Navy has grown speedily. At the outbreak of war its strength, including reserves, was about 3,600 men and it had 13 ships of all kinds. To-day its mobilized strength is more than 23,000 men and it musters more than 250 vessels—including 13 destroyers, three armed merchant cruisers, a number of corvettes and minesweepers and a large fleet of smaller craft suitable for patrol and anti-submarine work. By March, 1942, the strength of the Royal Canadian Navy is expected to be at least 27,000 men and more than 400 ships. Volunteer enlistments continue.

R.C.N. personnel are the nucleus of Canada's navy, but since the outbreak of war Volunteer Reservists have been mobilized and enlisted in increasing numbers. They now constitute the largest proportion of the Navy's strength. Most of them are landsmen who for the first time are learning the craft of the sea and the lore of ships. R.C.N.R. personnel, experienced men from the merchant service, have also been enlisted by the Royal Canadian Navy, and on the Pacific Coast the Fishermen's Reserve is doing a quiet but important job. Some forty fishing craft with their crew have "joined up" for the duration.

The Navy Overseas

Canada's sailors are manning Canadian naval ships which daily take part in the Battle of the Atlantic and in operations in British waters. Others patrol many parts of the seven seas. Canadian destroyers average twenty to twenty-five days a month at sea. Atlantic shipping carrying a total of more than thirty million tons has been convoyed by the Royal Canadian Navy, in co-operation with the Royal Navy. This has involved the most careful organization of the Naval Control Service on Canada's

east coast—a factor of vital importance to the maintenance of supply lines from America to Britain.

In addition to convoy work, ships of the Royal Canadian Navy have performed a variety of duties. They have captured enemy vessels, caused others to be scuttled, sunk enemy submarines, effected rescues and assisted in the evacuation of beleaguered troops.

This work has not been carried out without loss. H.M.C.S. "Fraser" was sunk on a misty night in June, 1940, during the course of operations off the coast of France. Ships were running without lights to avoid danger of enemy attack, and "Fraser" was cut in two by a much larger ship. H.M.C.S. "Restigouche" rescued most of her crew. H.M.C.S. "Margaree", on convoy duty, suffered a similar fate somewhere in the Atlantic in the autumn of 1940, and most of her crew were lost.

Many hundreds of Canadians are serving with the Royal Navy or are in training at Royal Naval establishments.

The Navy in Canada and in Canadian Waters

In addition to its work in British and other non-Canadian waters, the Royal Canadian Navy has successfully protected the Dominion's shores and ports. Its ships patrol Canada's coasts day and night. This work too has its hazards. For example, in October, 1940, storm caught the minesweeper "Bras d'Or" somewhere in the Gulf of St. Lawrence and she was lost with all hands.

Canadian naval shore establishments also play their part. In key centres naval officers carry on the complex business of naval plans and operations, linking the Dominion's activities to the world-wide operations of the Empire's naval forces and performing the multitude of exacting tasks which must be carefully executed if Canada is to play her full part in protecting the Empire's commerce. At eighteen centres located in various parts of the country, officers and men are constantly being trained to man the ships which scores of Canadian shipyards are turning out for the Navy.

Casualties

The Royal Canadian Navy has listed 336 men killed, 39 who died, 22 missing and 63 wounded. (August 22, 1941).

The Army

Strength of the Canadian Army (Active and Reserve)

The Canadian Army has expanded greatly since the outbreak of war. In September, 1939, the Dominion had a Permanent Force of some 4,500 and a Non-Permanent Active Militia, which corresponded to the National Guard in the United States, of about 55,000—approximately 60,000 men in all. Now the Canadian Army (Active and Reserve) comprises about 400,000 men.

Strength of the Canadian Active Army

The Canadian Active Army is a body of some 230,000 volunteers who have enlisted for service anywhere for the duration of the war and for as long thereafter as the Government may require them.

It will shortly have the greatest divisional strength in its history—a total of six divisions. During the first Great War Canada raised five divisions, but the fifth was broken up for reinforcements. Nearly all the infantry for the Sixth Division is already mobilized, and artillery, engineers, signals and other technical units are being drawn from the Reserve Army.

A special two-months campaign to enlist 32,000 volunteers for the Active Army was recently concluded. The total number of volunteers actually enlisted was 34,625. About 48,000 men volunteered but many were rejected because of the strict medical examination. The Active Army is continuing to enlist monthly quotas on a voluntary basis.

The Canadian Active Army on Home Defence

The Canadian Active Army is also being reinforced by monthly quotas of "draftees". During their four months' period of preliminary training, they are given an opportunity to volunteer for active service wherever required with the Navy, Army or Air Force. Those who do not volunteer for such service are posted to home defence duties for as long during the duration of the war as the Government sees fit. These men constitute the Canadian Active Army on Home Defence and release volunteers already on active service in Canada for overseas duty.

Compulsory military training was announced in Canada in June of 1940. In that month the National Resources

Mobilization Act was passed. It gave the Canadian Government power to require "persons to place themselves, their services and their property" at the disposal of the country whenever this "may be deemed necessary or expedient for securing the public safety, the defence of Canada, the maintenance of public order, or the efficient prosecution of the war." This power, however, "may not be exercised for the purpose of requiring persons to serve in the military, naval or air forces outside of Canada or the territorial waters thereof."

The first group to be given thirty days' basic training under the authority of this act, went to camp in October of 1940. In the succeeding months about 87,000 men were so trained. About 20,000 of these joined the active forces; the rest were posted to the Reserve Army for part-time training. In February, 1941, the period of preliminary training was increased to four months; in March, the first four-months class went to camp; and shortly afterward it was announced that "draftees" would be kept indefinitely in the Army.

All single men and widowers without children, aged 19 to 45, are by law liable for military service in Canada. At present the Canadian "draft" is calling up the 21-24 age group. Only men in first-class physical condition are selected and provision is made for postponements in certain cases where it is in the public interest that they should be granted. Men not selected at their first call are still liable for service and may be called at any time. To August 4th, five monthly classes totalling about 19,000 had been selected. A large number of these men have volunteered for service anywhere with the Navy, Army or Air Force.

Each month a new class graduates and another class of "draftees" goes to camp. In this way Canada is building a full-time "draft" army for home defence and releasing other soldiers of the Active Army, now stationed in Canada, for overseas duty.

Strength of the Canadian Reserve Army

The Canadian Reserve Army constitutes a pool of partially trained men from which volunteer reinforcements for the Active Army may be drawn. It numbers about 170,000 men; of these about 67,000 are men who have been given thirty days' compulsory military training and then posted to reserve units for part-time training. These

men are now steadily being called for full-time home defence duties, unless they volunteer for overseas service. The remainder of the Reserve Army are volunteers. Members of the Reserve Army train for a specified number of hours each week, and at camp in the summer, and at the same time carry on with their civilian jobs.

The Army Overseas

A Canadian Army Corps, consisting of three divisions, an Army Tank Brigade, and ancillary troops, and numbering scores of thousands of men, is in the British Isles. These troops guard vital sectors. Other Canadian soldiers are in Newfoundland, the British West Indies and Gibraltar. Until their recent removal for service elsewhere, Canadian troops for many months helped to garrison Iceland, where they played an important part in building the defences of that strategic island.

The First Canadian Division landed at a British port on December 17th, 1939, and was quickly followed by other troops, until, by February, 1940, there were approximately 25,000 Canadian soldiers in Britain. This number has been increasing steadily ever since.

In April, 1940, a Canadian component was detailed to take part in a frontal attack on Trondheim, Norway. This component, composed of picked units and commanded by a specially selected officer, moved off on April 18th to the port of embarkation in Scotland. However, after arrival there, the operation for which they had been detailed was cancelled, and the troops returned to camp.

In May, 1940, the First Canadian Division was selected to restore the communications of the B.E.F. with the Channel Ports. On May 23rd and 24th, while the Canadian Commander, Lieut.-Gen. A. G. L. McNaughton, was carrying out a reconnaissance in France, the troops started for embarkation points. However, as a result of the reconnaissance, the War Cabinet decided that the existing military situation would have to be dealt with by the men and guns which were in France, time for moving troops with the necessary heavy equipment to the critical points not being available. The operation was cancelled and the troops were disembarked from transports which they had already boarded.

On May 26th another proposal was made to use the Canadian troops in France. Units were actually entrained and ready to move to the port of embarkation, but it was

decided that landing more men on the French coast would not contribute to the salvation of the B.E.F.

On May 27th a further proposal for using Canadian troops was made, but was dropped.

In June, 1940, the First Canadian Division was detailed as part of the new B.E.F. which was formed after Dunkirk, in order to support the battered French Armies in the region of the Somme. However, only one infantry brigade, with some artillery and attached technical units, actually landed at Brest. These troops immediately proceeded towards the battle front, and some were at Sable-sur-Sarthe, more than 200 miles from Brest, and close to the divisional concentration area, when they received orders to retire. Thus, after less than forty-eight hours in France, these troops were necessarily withdrawn to England because of the deterioration of the general situation in France.

In between these expeditions, and up to the present time, Canadian formations have occupied vital sectors in Britain's front line and acted as striking forces in reserve, ready to launch a counter-blow against any invading force that might succeed in getting through the coastal defences. Canadian units take their turn on coastal duty, work on the coast defences at many points, maintain communications, dispose of unexploded bombs, build strategic roads, and help to exploit the timber resources of the British isles.

The Canadian Corps is in a state of constant readiness for battle, anxious to meet the enemy and carry out the job for which it crossed the Atlantic. The Corps has been kept in Britain thus far because the Prime Minister and the Government of the United Kingdom consider them an essential factor in the defence of Britain, which is of paramount importance to the Empire and its Allies. In the meantime, every opportunity for increasing the Corps' efficiency and high state of training is eagerly seized upon.

The Canadian Army overseas is a powerful organization built on strictly modern lines. Its mechanized equipment of many different types and its complex array of armament, make it a very different army from the Canadian Corps of 1914-1918. R.C.A.F. Army Co-operation 'planes and reconnaissance battalions of motorcycles and armoured scout cars render it highly sensitive. Tanks give it striking power. Its infantry units, toughened

by long training and partly mechanized, are capable of fast movement and possess formidable fire-power for both offensive and defensive purposes. Its artillery is mobile and equipped to fight tanks and airplanes as well as to bombard enemy positions. Its engineer units are fast-moving and capable of coping with the new problems which mechanization has created. Its signal arm is highly sensitive and makes full use of modern wireless equipment. The Army Service Corps and the Ordnance Corps have been mechanized and provided with all modern equipment needed to supply the troops with food, gasoline, ammunition, repair facilities, etc. The Medical Corps, too, has had to adapt itself to the war of movement and is now as mobile and adaptable as the army itself.

Some Canadians are serving with the British Army.

The Active Army in Canada

Units of the Active Army in Canada guard the Dominion's coasts and vital areas. Others are training in establishments scattered throughout the country. These establishments include the following types of training centres—infantry (rifle), infantry (machine gun), small arms, artillery, engineers, signals, armoured car and tank, army service corps, ordnance, medicals, and officers' training schools.

Equipping the Army

While first consideration has necessarily been given to the equipping of Canadian overseas forces and to sending material to Britain, the Canadian Army at home is steadily being fully equipped.

Casualties

The Canadian Army has listed 56 killed, 241 who died, 85 missing and 151 wounded. (August 22, 1941).

The Air Force

Strength of the Air Force

The total personnel of the Royal Canadian Air Force is today about 67,000 or approximately thirteen times as large as it was at the outbreak of war. Its numbers are rapidly increasing, and volunteer recruits are taken on in thousands every month. With training capacity reaching its present peak, the rate of recruiting is expected to increase.

Since the beginning of the war Canadian airmen have been taking part in the Battle of Britain, and in operations in the Middle East and in other theatres of war. A considerable number of Canadians were serving in the R.A.F. at the outbreak of war, and this number has been greatly increased by reinforcements of Canadian graduates of the British Commonwealth Air Training Plan.

In addition, Royal Canadian Air Force Squadrons operate overseas. The first R.C.A.F. squadron arrived in Britain early in 1940. It was the first Canadian army co-operation squadron and it was followed shortly by No. 1 R.C.A.F. fighter squadron and a third squadron. The flow of Canadian airmen in late 1940 and in 1941 has now increased the number of R.C.A.F. squadrons in Britain to a considerable number.

The work of individual Canadian airmen in the R.A.F. may be illustrated by a brief description of the exploits of the "All-Canadian" squadron of the R.A.F., which was formed late in 1939 and until recently was led by the famous legless English flier, Squadron-Leader Douglas Bader. The squadron destroyed at least thirty planes over France and the Low Countries during the Battle of France in the summer of 1940 and had the honour of being the last squadron to leave French soil. In the summer of 1940 the squadron fought over Dunkirk, where it played its part in protecting the evacuation of British and Allied troops. It also fought over London during the September "blitz." In six fights it destroyed 55 enemy planes with a loss of only two of its own pilots. By January, 1941, the squadron had accounted for more than 100 enemy planes.

Other Canadians in the R.A.F. have shot down a large number of enemy aircraft and have engaged in bombing and reconnaissance work. In June, 1941, the first Canadian bomber squadron of the R.A.F. was formed. It now takes part in the constant raids being carried out over Germany and German-occupied territory.

R.C.A.F. fighter squadrons have also done good work. No. 1 R.C.A.F. fighter squadron shot down twelve enemy planes in its first nineteen days of action.

Thousands of Canadian radio and ground technicians have for some time been assisting the R.A.F. in detecting night bombers and performing other ground duties.

The Air Force in Canada

R.C.A.F. planes play a vital part in western hemisphere defence. They are on patrol duty in Canada daily and far out to sea on both coasts. Aircraft of the coastal commands have had moments of more than routine activity. For example, squadrons of the Atlantic coastal command took part in the search for the "Bismarck" and were ready to go into action, should this have been necessary.

The British Commonwealth Air Training Plan

The British Commonwealth Air Training Plan, first announced in December, 1939, has expanded very rapidly to keep pace with the urgent demands of the war. It has for several months been turning out thousands of pilots, gunners, and observers at about twice the rate originally planned, and with facilities virtually completed, the rate is now increasing.

The ninety air training schools originally called for under the Plan are in operation today and 124 establishments of all kinds are functioning. To support and train aircrew, the Air Training Plan employs many thousands of special personnel—instructors of various kinds, administrative officers, scores of different types of mechanics and other ground crew, technical experts of various kinds, wireless officers and operators, and many other types of specialist. Most of them have themselves been given special courses before taking over their duties in connection with the Plan, and this training alone has been and is a tremendous undertaking. This is the sort of organization which has made it possible for one plane every twenty seconds to leave the ground at some air training schools and for contingent after contingent of aircrew to be dispatched overseas with significant regularity.

It is estimated that the Air Training Plan, in the first three years of its operation, will cost \$824,000,000, of which Canada will supply \$531,000,000. Canada provides about 80 per cent of the students. Others come from Australia and New Zealand. British airmen also train in Canada. About 8% of the air crew trained or in training in the R.C.A.F. are Americans, and about 600 American pilots are serving as instructors for the Air Training Plan. Preliminary negotiations have been started in London to prolong the life of the Plan. The present agreement was made for a three-year period and would nominally expire March 31st, 1943.

Casualties

The Royal Canadian Air Force has listed 392 killed, 23 who died, 134 missing and 132 wounded. (August 22, 1941).

Technical Training for the Forces

All three Services operate special technical training centres to educate men to perform the variety of highly specialized tasks which modern warfare makes necessary. Schools and universities throughout the country are co-operating in this work.

Total Casualties

More than 1,300 Canadians in the Dominion's armed forces have so far been listed as dead or missing. Nearly 350 have been wounded. In addition, a considerable number of Canadians serving with British forces, as distinct from Canadian units, have given their lives.

Citations and Decorations

A large number of Canadian sailors, soldiers and airmen have been decorated or mentioned in despatches.

Reinforcements

Before the end of 1941 Canada will send overseas the 5th (Armoured) Division and ancillary and other troops as reinforcements for the army overseas. This is in accordance with an agreement made with Britain earlier this year. This will give Canada an overseas strength of four divisions, one of which is armoured, supported by a tank brigade and ancillary troops.

Contingents of airmen trained under the British Commonwealth Air Training Plan arrive regularly in the British Isles and the flow increases steadily in volume as the months go on. Before the end of this year the number of Canada's trained men in the air overseas will be equal to that of a division of infantry. Canadian squadrons are to be manned fully by Canadian air and ground crews. About 2,500 more radio technicians will go overseas this year to assist in combatting enemy air raids.

Canadian naval assistance continues to develop strength. Canada's Naval Minister, Hon. Angus Macdonald, went to Britain in August to discuss further co-operation between the British and Canadian Navies.

Women's Auxiliary Services

The Army and the Air Force are now enrolling women for auxiliary services, and the Navy has such a move under consideration. The Canadian Women's Army Corps expects to take on 2,000 women by April 1st, 1942, and the Canadian Women's Auxiliary Air Force will enlist more than 2,000 during the next six months. About 8,000 women have so far indicated a desire to enrol in one of the auxiliary services. Women will perform administrative duties such as office work, telephone operating and army stores duties, as well as light transport driving, cooking, messenger service and canteen work, thus releasing men for active duty.

Cadets

Canadian boys have opportunities to obtain elementary training which will be of use to them when the time comes for them to enlist in one of the three services.

The Sea Scouts and the Sea Cadets of Canada have branches from coast to coast.

Secondary schools throughout the country, both public and private, operate cadet corps in which hundreds of thousands of boys learn the rudiments of soldiering.

Organization of the Air Cadet League of Canada is proceeding rapidly. Training, which begins with the opening of school this month, will be supervised by local Air Force commands. The course covers two years and includes basic training in subjects relating to aircraft and air fighting. Upon completion of the basic training, Air Cadets may specialize in certain branches of these subjects. At least 25,000 boys, aged 12 to 18, are to be enrolled in the course by the opening of school this month.

AID TO BRITAIN

Close and Continuous Consultation

Co-operation between Britain and Canada is extremely close. It is fostered through diplomatic and trade channels and through various boards established by both governments and by means of personal visits by officials and experts back and forth across the Atlantic. These visits are going on continually. In addition, most Canadian cabinet ministers who are concerned with the conduct of the war have been to Britain to consult with the British

authorities. These include the Prime Minister, Rt. Hon. W. L. Mackenzie King; the Minister of National Defence, Hon. J. L. Ralston; the Naval Minister, Hon. Angus Macdonald; the Air Minister, Hon. C. G. Power; the Minister of Munitions and Supply, Hon. C. D. Howe; the Minister of Agriculture, Hon. J. G. Gardiner; and the Minister of Pensions and National Health, Hon. Ian Mackenzie.

The Prime Minister is the latest Canadian minister to go to Britain. He arrived on August 20th, after a flight across the Atlantic. The trip had been scheduled for some time but was postponed until after the historic meeting of Mr. Churchill and Mr. Roosevelt, which the Mr. King helped to plan.

The Prime Minister had meetings with Mr. Churchill, Lord Halifax, the British War Cabinet, the Dominions Secretary, the High Commissioners for the Dominions, the Prime Minister of New Zealand, representatives of the Allied nations, and other high officials. He also visited Canadian sailors, soldiers and airmen in various parts of the British Isles.

Military and Scientific Co-operation

A close liaison between Canadian and British forces is maintained through the Captain Commanding Canadian Ships in the United Kingdom and through Canadian Army Headquarters and Royal Canadian Air Force Headquarters in Britain.

Canada has taken charge of a number of enemy prisoners of war, most of whom have been captured on one of the many battle fronts of the war. These prisoners are kept in internment camps and are treated in accordance with an International Convention which lays down regulations for the treatment of combatant war prisoners.

Canadian scientists are co-operating closely with British experts, and many Canadian technicians have gone to Britain. These include specialists attached to the armed forces, as well as civilian experts. An outstanding example in this connection was Sir Frederick Banting, who lost his life in February 1941, in a 'plane crash in Newfoundland, when he was on his way to Britain on a mission of high national importance. In addition, a large number of British experts have come to Canada.

Economic Co-operation

Sending Supplies to Britain

Since the outbreak of war Canada has sent vast quantities of supplies to Britain. Canadian exports to Britain in the twelve months ending March 31st, 1941, jumped 45 per cent over the twelve months ending March 31st, 1940. During the current fiscal year it is expected that Canada will export goods to Britain to the value of about \$1,500,000,000—the equivalent of nearly \$23,000,000,000 worth of goods in terms of the relative national incomes of the United States and Canada. Supplies sent to Britain to date include large quantities of foodstuffs such as wheat, flour, bacon, eggs, cheese and canned goods; raw materials such as base metals and timber; and war equipment such as machine guns, two-pounder guns, anti-aircraft gun barrels, shells, small arms ammunition, explosives and chemicals, airplanes, corvettes, minesweepers, small boats, mechanized transport, and universal carriers.

Financial Aid to Britain

Canadians have provided Britain with about three-quarters of the Canadian dollars she has so far needed to purchase war supplies from Canadian producers; and Canadians will finance the bulk of Britain's expenditures in Canada in the coming months.

Britain pays for a fraction of her purchases in Canada by exporting goods to the Dominion. The rest of her Canadian supplies, however, must be financed otherwise. Up to June, 1941, Britain needed about \$1,000,000,000 to cover her purchases in Canada. About a quarter of this sum Britain paid Canada in gold. But it has cost Canada in the United States more gold than this to enable her to fill her British orders; and there have been no gold shipments from Britain to Canada since December, 1940.

The remaining \$750,000,000 Canada herself supplied. The Dominion provides Britain with some of the Canadian money she needs by repatriating Canadian securities held in Britain. This amounts to paying debts before they fall due. Canada supplies the rest by accumulating Sterling balances—in effect, lending Britain money. All this credit, like the money raised to spend on Canada's own war effort, must be provided now by the Canadian

people. During the present fiscal year the total required for financial aid to Britain will be between \$800,000,000 and \$900,000,000.

Other Types of Economic Co-operation

The Canadian Government has co-operated closely with the British Government in order that Britain may have all the facilities she needs for war production in Canada. Not only do Canadian factories send supplies to Britain, but plants have been erected in Canada on British account to produce directly for Britain.

Co-operation with Britain in the matter of raw material supply is extremely close, and every effort is made to co-ordinate the work of the two countries, along with that of the United States, in this important phase of the war program.

Canada has materially reduced tariffs on British imports since the outbreak of war.

Canada pays for the equipment and upkeep of her forces overseas. The only exception in this respect is the provision of service craft for Canadian squadrons overseas. This is looked after by Britain, as part of her contribution to the British Commonwealth Air Training Plan.

A considerable number of Canadian ships have been made available to Britain for carrying supplies and for naval duties.

Citizens' Voluntary Aid to Britain

Millions of dollars have been voluntarily subscribed by Canadian citizens to the Red Cross and a large number of smaller organizations for the purpose of providing needed articles and war equipment for the citizens of Britain. The Queen's Canadian Fund for Air Raid Victims, for example, recently raised more than \$500,000 in about four months. Bombed towns have been assisted by gifts of money, with blankets, clothing, first aid equipment and other conveniences. Ambulances and mobile kitchens have been provided for the relief of the wounded and to assist A.R.P. workers. Depots of emergency supplies have been set up at key points in preparation for disasters. Several Canadian towns and cities have "adopted" certain British towns or have undertaken to assist special groups such as fire-fighters, children and congregations of bombed churches. Some organizations supply specially needed articles such as cigarettes and seeds.

Work of Canadian Civilians in Britain

Thousands of Canadian civilians in Britain are engaged in war work. There are now several Canadian hospitals in Britain, staffed by Canadian doctors and nurses. Canadian convalescent homes have also been established. Other Canadian medical men and women are providing professional services in various ways. Many Canadian doctors are with British forces.

Rt. Hon. Vincent Massey, in addition to his duties as Canadian High Commissioner in London, has been active with Mrs. Massey in promoting the welfare of the forces. Mrs. Massey is head of the Canadian Women's Club, which assists bombed areas and provides entertainment for Canadian troops. Lord Beaverbrook, Canadian-born British newspaperman, is now Minister of Supply in the British Government. When Minister of Aircraft Production, he was assisted by two prominent Canadians, one of whom was Lord Bennett, formerly Rt. Hon. R. B. Bennett, one-time Prime Minister of Canada. Lord Bennett was also the first chairman of the London Committee of the Canadian Red Cross. J. C. Patteson, European General Manager of the Canadian Pacific Railway, has been placed in charge of the transport of food and munitions over British railways. Canadian-born Sir Edward Peacock has been undertaking an important financial mission in the United States on behalf of the British Government. Other Canadian civilians in Britain, apart from those who have joined the British armed forces, have taken on a variety of wartime jobs.

Another service being performed by Canadian civilians in Britain is the provision of facilities which contribute, in conjunction with the hospitality of the British people, to the well-being of Canadian forces there. This, indirectly, is a real contribution to the defence of Britain; for it helps to maintain the morale of troops who may at any time be called upon to play a vital part in repelling the invader.

Canadian Auxiliary Services, embracing the Canadian Legion, the Knights of Columbus, the Salvation Army and the Y.M.C.A., along with the Red Cross, provide canteens, service clubs and hostels for Canadian sailors, soldiers and airmen. They also provide mobile film units and other entertainments for the troops. About sixteen mobile film units are circulated daily by the Canadian Auxiliary

Services. The importance which the Dominion Government attaches to the work of the Auxiliary Services, may be judged from the fact that Hon. R. J. Manion, formerly leader of the Conservative party in Canada, was recently sent to Britain to make an intensive study of the work of these organizations.

Also helpful in maintaining the morale of Canadian troops overseas are the Canadian Legion Educational Services. They provide Canadian soldiers with sources of instruction covering a wide variety of non-military subjects, and thousands of Canadians in Britain are taking advantage of these courses. Outstanding service is being rendered along these lines by J. B. Bickersteth, Warden of Hart House in the University of Toronto, and now attached to Canadian Military Headquarters in Britain. He helps to provide Canadian troops with concerts, art exhibitions, libraries, and a variety of other cultural pursuits which are proving extremely popular.

Canadian organizations in Britain are also assisting in this work. Canada Clubs in London, Glasgow, Bristol and other centres provide Canadian troops with hospitality when on leave. The London Association of Canadian Ex-Service Men, and its branches, and Canadian pensioners of the last war resident in Britain, the Masons' Canada Lodge, and similar groups, also play their part in helping Canadians to spend their leaves pleasantly and profitably. A large number of Canadian artists and entertainers put on regular programs for the troops over the B.B.C. A hostel and service club for Canadian nurses in Britain has been organized.

HOME DEFENCE AND SECURITY

Since the outbreak of war Canada has taken steps greatly to strengthen the defence of her coasts and other strategic areas. The Canadian sections of both the Atlantic and Pacific coasts of North America are guarded by naval and air patrols, coastal and anti-aircraft guns and large concentrations of troops. Canada for months helped to garrison Iceland and build its defences and today, in conjunction with the United States, the Dominion is guarding and fortifying Newfoundland. Strategic air bases have been built throughout Canada, and the Dominion is spending \$20,000,000 this year on additional air bases of strategic importance, including a string of air

fields designed to give military planes access to Alaska. Troops guard vital points throughout the country. The Veterans' Guard plays an important part in this work. In many areas local authorities have organized Civilian Defence and Air Raid Precautions units. Blackout practices have been held in several cities.

Under the Defence of Canada Regulations all possible precautions are taken against sabotage and fifth column activity. The Royal Canadian Mounted Police, under the direction of the Dominion Department of Justice, are in charge of this work. Newspapers, books, magazines, radio, etcetera, are subject to a censorship which excludes from circulation any material which is prejudicial to the safety of the state or the prosecution of the war. With the co-operation of the interests involved, this censorship is generally able to work on a very liberal basis.

EQUIPPING THE ARMED FORCES

Building a War Industry

Canada's war industry is under the supervision of the Department of Munitions and Supply, a special wartime Department of the Dominion Government. Practically every Canadian factory that can produce for war is now doing so directly or indirectly. Many new plants have been built and old ones expanded and provided with new equipment. Since the war began the Canadian and British Governments have authorized expenditures of over \$520,000,000 for the construction of plants and the purchase of equipment and materials.

Construction

This industrial expansion has involved tremendous construction activity; and in addition to expanding industry, the construction business has undertaken a \$110,000,000 defence building program, under which several thousand buildings and about 100 air fields have already been completed.

An idea of what construction companies in Canada have been and still are undertaking, is evident from the fact that during the first six months of this year the number of construction contracts awarded was about 72% greater than the number let in the corresponding period of 1940; and construction contracts in 1940 were about 85% higher than in 1939.

Substantial progress has been made in the provision of low-cost dwellings for war workers. Wartime Housing Limited (a Government-owned company) is at present erecting more than 2,500 houses in Halifax and in twenty other crowded communities. These houses will accommodate thousands of workers and their families. This program is steadily being extended. The accommodation is to be temporary in character and will be rented to the occupants.

Production

In the first year of the war the provision of plant structures and machinery constituted a serious problem towards a solution of which all concerned made a concentrated effort. Now that many of these difficulties have been overcome, Canadian industry has struck its stride and its record in war production has been impressive. Most of the war equipment now being produced in Canada has never before been manufactured in the Dominion.

Ships

Shipbuilding has increased tremendously in Canada. At the beginning of the war there were only 1,500 workers in Canadian shipyards. Now more than 20,000 workers are employed in 17 major and 45 smaller yards. Today the shipbuilding program, including the merchant-ship program, involves an expenditure of about \$320,000,000.

Of this amount about \$120,000,000 is being spent on naval vessels. Some 250 such ships have been ordered, not including small craft, and over 130 have been either delivered or launched. Sixty-six corvettes and thirty-five minesweepers have been launched. Three "merchant cruisers" and twenty-seven yachts have been converted to naval use. Twenty-four patrol boats and twelve special minesweepers have been ordered. The keels of two destroyers are to be laid down. British technical experts are to be brought to Canada to assist in the construction of these vessels.

Deliveries also are being made regularly under the \$8,000,000 small-boat program. Nearly 1,000 boats have been ordered and the program is more than 50% complete. It includes such craft as crash boats, aircraft tenders, bomb-loading dinghies, salvage and supply boats and various types of scows for the Air Force; harbour utility

craft, motor torpedo boats, whalers, pulling boats and service dinghies for the Navy; and service boats and collapsible assault boats for the Army.

Aircraft

The Canadian aircraft industry was of small dimensions at the beginning of the war, but since that time it has built a large number of aircraft. Since January, 1939, the number of men engaged in Canadian aircraft construction has increased from 1,600 to more than 25,000. During the three months ending June 30th, 1941, Canada's production of aircraft was 25% greater than that of the preceding three months. Output in the first six months of this year exceeded the total for all of 1940.

In recent months the rate of production has been about 40 planes a week. Canadian plants are now turning from the production of training craft to service craft, and plants already manufacturing service planes are changing their output to meet new needs. The actual output of the airplane industry—measured either in pounds of plane components produced or in man-hours—will continue to grow, although the amount of labour and time required to construct a service plane may be anywhere from four to forty times as great as that involved in a trainer.

Planes being produced by the Canadian aircraft industry include Hurricane fighters, Bolingbroke and Hampden bombers, Stranaer flying boats, Lysander army co-operation craft, and six special types of trainer. Planes soon to be produced include Martin B-26 bombers and PBY flying boats. Engines for planes made in Canada are imported from the United States or added to the planes in Britain.

Tanks

Last June Canada turned out its first heavy infantry and cruiser tanks, both of which incorporate the latest improvements of Canadian engineers. Since that time a number of tanks have been completed. They are said to be faster to build than any tank of the size yet produced on this continent or in Britain. The Canadian tank program calls for the production of 800 infantry and 1,000 cruiser tanks.

Army Vehicles

The Canadian automotive industry has made an outstanding contribution to the Empire's war effort. Over two hundred thousand army mechanical transport vehicles have been ordered in Canada and about 150,000 of these have been delivered and are in service. They include universal carriers and a variety of truck and transport. The majority have been exported to Britain and Empire countries, and are being used in the North African campaign. Army experts have adjudged these vehicles to be of very high quality.

Guns

Guns, like tanks, were never produced in Canada before the war. The Dominion is now turning out one type of field gun, one kind of light gun, two types of mortar, two kinds of anti-aircraft gun, an anti-tank gun, and naval gun mountings. Soon fourteen types of land and naval gun and ten types of carriage and mounting will be manufactured in Canada.

Machine Guns

The manufacture of automatic weapons, never before undertaken in Canada, is now reaching gratifying proportions. One Canadian factory, which began making Bren guns before the war, will soon have the largest output of any automatic gun plant in the world. It is turning out two types of machine gun. Another plant to manufacture automatic guns for airplanes is being built. It will be about one-third the size of the Bren gun plant.

Rifles

The Lee-Enfield rifle, modern standard equipment for British and Canadian forces, is now being mass-produced in Canada by Small Arms Limited, a Government-owned company. This is the first time that rifles have ever been mass-produced in Canada.

Shells

Shells and shell components are being produced in many factories well up to schedule. Twenty-two types of gun ammunition of ten different calibres are now being turned out at a rate of millions of rounds a year. Aerial bombs, rifle grenades, depth charges and anti-tank mines are also being made. One bomb factory, which has been producing for six months, is expected to manufacture 100,000 500-pound bombs a year.

Small Arms Ammunition

Small arms ammunition factories are manufacturing tens of millions of rounds monthly and are constantly increasing production. The quality of this ammunition is very high.

Chemicals and Explosives

Eighteen of Canada's 23 chemicals and explosives plants, some of which equal in size any similar plants in the Empire, have begun to produce. This year alone the total production of explosives in Canada will exceed the entire Canadian output during the whole of the first Great War. Twelve types of chemicals and eight types of explosives are being turned out. Construction of chemicals and explosives plants is 90% complete.

Personal Equipment

Canada has produced a tremendous amount of personal equipment for her armed forces. This includes more than 100,000 separate and distinct kinds of article. Orders to the value of about \$100,000,000 have been placed for the equipping and maintaining of Canadian forces.

Miscellaneous

War equipment now being manufactured in Canada and not made in this country before the war, also includes optical and other instruments, such as range finders and gun sights, field telephones, special wireless equipment, a variety of naval instruments and stores, compasses, chemicals for smoke screens, chain cable, anti-submarine equipment, minesweeping gear, anti-gas clothing, gas masks and parachutes.

Research Enterprises, Limited, a Government-owned company which is manufacturing precision instruments, has received orders for \$48,000,000 worth of equipment, including radio locators to be used in detecting the advance of hostile aircraft. Of these orders \$36,000,000 worth will be completed by the end of 1942.

Equipment on Order

Equipment on order but not yet in production includes several types of guns and mountings, trench mortars of a larger calibre, small arms, bomb throwers, predictors for anti-aircraft guns and certain secret weapons.

Contracts Awarded

The total value of contracts awarded and commitments made by the Departments of Munitions and Supply on Canadian and British account now far exceeds the \$2,000,000,000 mark. This includes commitments for plant expansion and equipment.

THE WAR AND THE CANADIAN ECONOMY

(See also pages 55-61)

Economic Expansion

Increased Activity

Canada's war program has caused a marked expansion in the economy of the nation. Industrial output has enormously increased and has still to reach its peak; factories are turning out more and more goods; business activity is up and is still rising; mines are producing increasing quantities of minerals; foreign trade advances in spite of the dislocations of war; construction has reached record proportions and there is still much to do; transportation facilities are working diligently to bear the traffic of war; nearly all the workers classed as "employable" in normal times are now at work, along with a considerable number who would not ordinarily be working for salaries and wages; the national income has substantially increased, over half the increase being in salaries and wages.

The magnitude of this increased activity is indicated by the following percentages:

	1940 as compared with 1939	The first half of 1941 as compared with the first half of 1940
	% Increase	% Increase
Industrial Production	23.1	12.3
Manufacturing Production	23.4	11.0
Physical Volume of Business	18.8	12.9
Mineral Production	10.9	2.2
Exports (excluding gold)	27.5	30.1
Imports (excluding gold)	44.1	30.1
Construction Contracts Awarded	84.9	71.8
Railway Car Loadings	10.9	15.0
Gross Revenues of Chief		
Canadian Railways	24.1	28.8
Employment (general)	9.0	21.2
Manufacturing Employment	16.9	24.8
National Income	8.5	11.5
Wholesale Prices	9.8	5.1

This is Expansion for War

Economic expansion does not mean that individuals, businesses or the nation as a whole are growing rich because of the war. On the contrary, with governments taking three times as much in taxes as in peace time, every one—from the Dominion Government down—needs to retrench in order to help pay for the war. Economic expansion is the result of the insatiable demands of war.

Moreover, with Canada's war industry now in substantial production, civilian supply of many essential commodities is becoming more limited. Canadians are realizing to an increasing extent the need of placing their resources of key materials and foodstuffs at the disposal of those who can best use them for war purposes, and the Government is now taking steps to accelerate this diversion. R. C. Berkinshaw, Director-General of Priorities in the Department of Munitions and Supply and recently appointed chairman of the Wartime Industries Control Board, stated on August 30th, 1941, "It will become necessary to effect further curtailment in consumer goods production and this will necessarily involve sacrifices on the part of all. Non-essential domestic and personal expenditures will have to be curtailed and rigid economy established in the consumption of certain lines of commodities designed for household, family or individual use." Mr. Berkinshaw also stated that rationing of consumer goods will be "largely conditioned by the effort we make now to keep waste down to an irreducible minimum."

At the same time, restrictions on civilian supply, greatly increased taxes and a heavy demand for war investments, are not the only burden the average Canadian must face. Prices have risen in a number of commodities, though the commodity price index is still considerably below the August, 1929, peak. In addition, certain persons have found that the war has destroyed the market for their product, limited their manufacturing scope, restricted their imports and exports, or in some other way disturbed their economic security. Such of these as are unable to turn to war work, are bearing a special burden.

Profiteering is "out" in this war, so far as the Canadian Government is concerned. Mr. King gave this assurance to Parliament during the debate on Canada's entry into the war. And that assurance was at once made good by the imposition of an excess profits tax and by the setting up of a Wartime Prices and Trade Board, which curbs those who might turn national needs into personal profits.

The Greatest Single Undertaking in Canada's History

Canada's war effort is the greatest single undertaking in the Dominion's history. The Dominion Government has a total outlay for the present fiscal year, for war and ordinary purposes, of about \$2,650,000,000—about 45% of the total estimated national income. Firms of many kinds from one end of the country to the other are under contract to supply it; a list of such firms reads like a catalogue of Canadian industry and business. The Canadian and British governments have invested heavily in industrial plant construction, expansion and equipment; the Canadian Government owns and operates more than a dozen wartime companies. To-day, to an extent undreamed of in Canada's history, Canadians are directly or indirectly working for the Government.

Wartime Controls

The Part of Private Business

While the war has enormously enlarged the significance of Government enterprise, it has by no means destroyed the importance of individual business undertakings. Indeed, the energy and efficiency of such undertakings have been a major contributing factor to the success which Canada's war program has enjoyed to date.

Government Powers

Nevertheless, the Government has assumed a very substantial measure of control over the Canadian economy. Under the War Measures Act, the Munitions and Supply Act, and other wartime statutes, the Government has power to control the physical and human resources of the nation in any way necessary to the security of the state. These wide powers have so far been invoked only where Government direction and control were obviously necessary to assist the nation to harness itself for war. Generally speaking, in the first two years of its war program, the Government has sought wherever practicable to secure the voluntary co-operation of the persons and interests involved. But the Government is now assuming increasingly rigid control of the Canadian economy wherever this is of advantage to the war effort.

Until recently, production for civilian purposes has in most cases been able to expand very substantially along with expansion in war production. This has not interfered with the war effort, because before the war Canada had large reserves of unemployed or under-employed labour and capacity. Many formal restrictive steps have been taken, but until recently informal agreements between Government and business, and financial measures, have been the main ones used to speed war production and hold civilian production in check. These actions have been timed to keep in step with the war program. Generally speaking, in the economic sphere, government policy and public co-operation have worked together in various measures designed to ameliorate war-time stresses and to make possible a maximum war effort.

Now, with technical problems largely solved, Canada's war industry requires increasingly large supplies of raw materials and labour. More restrictions on civilian activity appear necessary. More selective priorities, allocation of civilian supply and price fixing, may be required to give the physical capacities of the Dominion full opportunity and to distribute costs and burdens fairly. Increasing control of the Canadian economy is indicated by a recent reorganization of the Government agencies which direct the economic war effort. This re-organization provides for full co-ordination of control over both prices and supply of all goods and services.

For some time supply and prices of ten major materials and commodities essential to the production of munitions and war equipment have been the charge of wartime controllers appointed by the Department of Munitions and Supply. These controllers worked in conjunction with the Priorities Branch of the Department of Munitions and Supply. They have now been joined together in one board—the Wartime Industries Control Board—and R. C. Berkinshaw, Director-General of Priorities, has been appointed its chairman. Under the new set-up, this Board will continue to handle the supply matters which it previously handled. At the same time, control of all prices has been centralized in the hands of the Wartime Prices and Trade Board, under the chairmanship of H. B. McKinnon, and Mr. Berkinshaw has been appointed a member of this Board. Conversely Mr. McKinnon is a member of the Wartime Industries Control Board. In addition, when-

ever the Wartime Prices and Trade Board has under discussion matters relating to a commodity which comes under the supervision of the Wartime Industries Control Board, the appropriate member of the latter board will become a pro-tem member of the Wartime Prices and Trade Board. This Board is now responsible to the Minister of Finance. In this way control of all prices is now centralized under the Department of Finance and the Government is better armed to fight inflationary tendencies.

Control of supply has also been centralized and extended. All goods and services are now subject to control. The Wartime Industries Control Board is still in charge of supply of materials and commodities essential to war production, while the Wartime Prices and Trade Board is in charge of supply not only of "the necessities of life" as heretofore, but of "all goods and services" not coming under the jurisdiction of the Wartime Industries Control Board. Through the interlocking membership, whereby the Chairman of each Board is a member of the other, control of the supply and allocation of all goods and services is co-ordinated in the interests both of the war program and of civilian supply. Hitherto, the functions of the two boards had tended to overlap. Now all supply questions can be cleared through the one channel, and allocation of materials of whatever kind can be effected whenever necessary.

To allow the Wartime Industries Control Board to extend its control to commodities other than those at present under its jurisdiction, should this become necessary in the interests of war production, it is provided that the Controller of Supplies in the Department of Munitions and Supply may be given jurisdiction over goods and services now under the Wartime Prices and Trade Board but not at present supervised by an Administrator.

The Wartime Prices and Trade Board, enlarged to include the chairman of the Wartime Industries Control Board, has other extended powers. It is to have control in the price field over all Boards of the Federal and Provincial governments, including the controls established by the Departments of Munitions and Supply, Agriculture, and Fisheries, and Provincial bodies exercising price control over such commodities as milk, fruit, vegetables, and other products and services. In practice, the effect will be that all such bodies will continue their present

functions and present their price recommendations for concurrence to the Wartime Prices and Trade Board.

Powers of the Wartime Prices and Trade Board now include the authority to fix minimum as well as maximum prices and mark-ups, and to prohibit the purchase, sale, or supply of "any goods and services" at variance with such prices. The Board will now also have power to prescribe the terms and conditions under which any goods or services may be sold or supplied "whether on terms of deferred payment or otherwise". This reference is to the so-called "instalment-buying" plan, restriction of which would appear to be in the national interest under wartime conditions. The new regulations also give the Board complete licensing authority over manufacturers, importers, exporters, producers, jobbers, wholesalers or retailers or the suppliers of any goods or services.

The Board is given power to appoint persons to regulate the supply and distribution of goods or services and to investigate voluntarily or on complaint, costs, prices, profits, and stocks of goods and materials of any person engaged in manufacture, importation, exportation, production, storage, transportation, supply or sale of any goods or services, or any alleged or apparent offence against any regulation. The Board is given powers of a commissioner under the Inquiries Act for this purpose.

Matters relating to labour and wages are left under the jurisdiction of the Department of Labour.

How Canada Has So Far Met the Problems of War Supply

Providing the Stuff of War

To make the weapons of modern war, an adequate supply of machine tools and essential raw materials is vitally important. To take all possible steps to ensure such a supply has been the function of the ten controllers of industry under the Minister of Munitions and Supply and of the Priorities Branch of the Department of Munitions and Supply. Controllers have been established to regulate motor vehicles, machine tools, electric power, oil, timber, steel, metals, chemicals, ship construction and repair, and transit. An eleventh controller—the Controller of Supplies—has recently been appointed.

Machine tools, small tools, abrasives, electric power, oil, coal and coke, timber, iron, steel, aluminum, nickel,

zinc, tin, copper, chrome, tungsten, manganese, lead, mica, asbestos and other minerals, chemicals and chemical constituents—these are among the tools and raw materials Canada most urgently needs to make weapons and engines of war for her armed forces and for Britain.

General Plan So Far Followed

Many of these things are made or produced in Canada; others are imported in greater or less degree. In some cases the demand is very heavy and taxes the ingenuity of those charged with supplying them. In other cases, the situation is "easy". But in almost every case, care has had to be taken to ensure a maximum supply.

These measures have been mainly three. First, increasing domestic supply, and foreign supply where possible; second, curbing the use of such materials for non-war purposes; third, licensing the export of such materials. The controllers and the Priorities Branch of the Department of Munitions and Supply, with the assistance and co-operation of industry and of business, have succeeded in a variety of cases in achieving these ends.

Formal restrictive measures have in some instances been adopted by the wartime controllers; and in addition a priorities system for raw materials and manufactured products has for some time been in effect. The step was taken to ensure that war supplies may be produced in order of their importance and to meet shortages or threatened shortages of goods arising from the ever-increasing volume of Canadian war production. By direct negotiation priorities officials have tried to avoid the formal application of priority classifications which might tend to retard rather than to expedite production. Priority certificates have been issued only when all other means of obtaining necessary production had been tried and found inadequate.

Producers have been expected to meet their own production problems by direct negotiation with others. Should such negotiations fail, the Priorities Officer then took whatever steps were necessary. He could alter delivery dates, divert deliveries, ration materials or take any other action necessary to meet production needs. If these methods failed, priority ratings were assigned.

General Steps Taken

Certain general measures have been undertaken to limit the use of machine tools for non-war purposes, and to reduce non-war production which requires essential raw

materials. In 1940 designs were "frozen" on Canadian manufactures of anything from automobiles to sewing machines in which a change of model would require new tooling. In April, 1941, the erection of plants, the installation of equipment and the construction or repair of buildings costing more than a fixed amount were limited to projects licensed by the Priorities Branch of the Department of Munitions and Supply. Construction in Canada is now being concentrated on completing industrial expansion, providing more structures for the armed forces and erecting low-cost housing units for war workers.

The manufacture of automobiles for civilian use has been curbed by a series of measures. To prevent the setting up by importers of new assembly operations which would consume material and labour, an order was issued in the spring of 1941, ruling that if an importer was not manufacturing before December 2nd, 1940 (the date of the embargo on imported cars), he could not start manufacture and make more cars than he could import under his quota. This was followed by an order curtailing the production and sale of automobiles for the period April to December, 1941, to the extent of about 20%, compared with the like period of 1940. The control was based on the foreign currency exchange content of the individual types and models of automobiles. This has effected a decrease in the number of passenger cars being produced for sale in Canada. Official estimates indicate that the average monthly rate of production of passenger cars is steadily declining. At the same time, total automobile production, including output of war vehicles, is up very considerably.

Even fewer passenger cars are to be produced next year. Production of passenger cars in 1942, for sale in Canada, will be less than half the 1940 figure. This will be effected by an order recently issued which limits production to about 44% of the 1940 output. The number of models will be cut about in half, and accessories reduced to a minimum. The spring manufacturing peak will be "flattened out."

The manufacture of "white-wall" tires in Canada is now prohibited except under license. It is not proposed that any licenses will be issued, as the manufacture of such tires consumes additional zinc oxide and rubber simply for the sake of appearance.

These steps are steadily releasing skilled workers, machine tools, steel, alloy steel, iron and other metals and materials for war production.

Specific Measures

Steps have been taken by the wartime controllers to conserve supplies of certain specific commodities.

Machine Tools: Machine tools, cutting tools and abrasives are basic in war production, and every effort has been made to supply war industries with as many of these tools as possible. The output of the Canadian machine tool industry was small before the war, but in 1940 it jumped about 800% over 1939, and steps taken this year are further increasing output. Canadian plants have been particularly active in the manufacture of machine tools for gun and shell production. Canada normally imports most of her machine tools from the United States. These imports have increased markedly since the outbreak of war and every effort is being made to expedite such purchases.

Electric Power: Electric power supply has been increased in certain heavily industrialized areas. Highly important in this connection is an arrangement between Canada and the United States for utilization of additional water at Niagara for power development. Most of the additional Hydro electric capacity of the Niagara plants has in this way been put to use for war purposes. The industrialized areas of Ontario and Quebec have been on daylight saving time since the spring of 1940. This has saved a considerable quantity of electric power.

Oil: Canada is fifth among the oil-consuming countries of the world but produces only 15% of the oil she needs. Domestic production in Alberta has been considerably increased since the outbreak of war but the amount is still short even of Prairie Provinces requirements. As most of Canada's imported oil is brought in by tanker and many tankers have had to be diverted to Britain to replace tonnage lost in the Battle of the Atlantic, Canada has in recent months been faced with a reduction in oil imports and a consequent diminution of oil stocks in hand.

Several steps to conserve oil have been taken since June, 1940. In that month an order was issued curtailing the establishment of further service stations throughout the Dominion. In September the sale of oil for any equipment which previously utilized other fuel was prohibited. In June, 1941, this measure was extended to include a ban on the installation of new oil-consuming equipment of any kind. From time to time steps have been taken to ensure the most efficient use of crude oil at refineries.

A more drastic step in oil conservation—a request to Canadians to cut their consumption of oil and gasoline for ordinary civilian purposes by half—has been made necessary by the supply situation outlined above and by the rapidly increasing demands for oil and gasoline by the Navy, Army, Air Force and war industries. In order to encourage this cut in consumption, the sale of gasoline and oil to motorists on Sundays, and at night (7 p.m. to 7 a.m.) on week days, has been prohibited. Credit cards may no longer be used by Canadians, though they may be used by American tourists, and a list of pointers on how to save gasoline and oil has been placed before the public.

Supplementing this move, an order was issued, effective August 25th, which sharply reduced gasoline and oil deliveries to retailers throughout Canada. The monthly amounts saleable are now 75% of July deliveries. This has, in turn, reduced the amounts available to automobile drivers and is, in effect, an informal system of rationing.

The new pipe-line from Portland, Maine, to Montreal is expected to relieve the oil situation to some extent, but it cannot be ready to make deliveries before the end of the year.

Coal and Coke: Coal and coke are under the supervision of the Wartime Prices and Trade Board, and since December, 1939, the Canadian coal and coke trade has been required to operate under license. Canadian coal production has expanded considerably since the outbreak of war, and the Dominion has imported increasingly large amounts of both anthracite and bituminous coal. Although imports of anthracite from the British Isles were up to normal for a time, they have fallen off considerably in recent months; but imports of both anthracite and bituminous coal from the United States have very substantially increased, and Canadian coal supplies to-day are enormously greater than before the war. Nevertheless, consumption is heavy and every effort is being made to increase supplies to a maximum.

Steps have been taken from time to time to deal with the problem of transporting coal and coke by water and rail. A recent move in this direction is a request to Canadians to buy next winter's supply of coal early in order to avoid the usual fall rush on coal. This must be prevented because of the enormous volume of war supplies being carried on Canadian railways.

The supply of coke in Canada is not so satisfactory. In spite of an increase of about 1,000,000 tons in Canadian coke supplies during the past fiscal year, Canadians face a shortage of this fuel for civilian purposes. This has been caused by an increasingly heavy demand for coke by war and allied industries.

Timber: Timber is very important in building a war industry. Since early in the war the Timber Controller and the lumbering and woodworking interests have worked together to mobilize the Canadian timber trade in accordance with the Dominion's wartime economy and also to assist the British Timber Controller in securing supplies from Canada.

Enormous quantities of lumber were required during the first year of the war both here and overseas when factories, plant additions and military, naval and air force projects were being built at great speed. The Government took steps to secure all lumber for its projects at the lowest possible prices. This was done, with the co-operation of the industry, by centralized buying. Later, the spring building program of 1941, combined with the new needs of U.S. defence construction, created a demand for timber that amounted to boom proportions. This situation, complicated by other factors, caused rising prices. In May, 1941, therefore, the Timber Controller fixed retail lumber prices for timber, lumber and millwork at levels obtaining on April 1st, 1941. This did not apply to timber for export. The move has been very successful, and in spite of the fact that Canada is now consuming about 45% of her entire lumber output, prices have been maintained at a reasonable level. This has not only saved the country money but has prevented a hazardous situation from developing in the timber industry itself.

Various other steps have been taken to ensure the most economical and efficient use of both Canadian and imported timber. Millions of dollars have been saved by using less expensive woods for many purposes. This, too, has provided Canada with American exchange by making more high-grade timber available for export. U.S. dollars have also been conserved by the substitution of Canadian for American woods in Canadian construction where possible. In many instances it has been possible to substitute wood for steel, thus saving not only steel but also American dollars. Every effort has been made to increase Canadian

production of hardwoods and imports of hardwoods from Empire countries—again in order to save U.S. dollars.

Canada has exported enormous quantities of timber to Britain. The war cut Britain off from the whole of her European supply, and as 75% of her pre-war requirements were supplied by European countries, it was essential, especially in the early stages of the war, to increase available imports. Canada's timber exports to Britain have included airplane spruce, birch logs for aircraft, plywood, box shooks, pit props, and other kinds of lumber, all of which, through the co-operation of the lumber industry with the Timber Controller, were purchased at reasonable and stabilized prices.

Steel and Iron: Steel has been under the supervision of a Controller since June, 1940. Since that time measures have been taken to stabilize prices. Canadian production of both steel and iron has been increased by stepping up the output of existing facilities and arranging for other sources of production. This has involved expanding the facilities of many plants, at Government expense in some cases.

Production of steel in Canada is to-day about 65% greater than the 1935-1938 average, and Canada now manufactures about two-thirds of present steel requirements. Iron is being produced in increasing quantities. Pig iron production in 1940 was more than 50% greater than in 1939 and in the first six months of this year the output was about 14% greater than in the corresponding period of last year.

Despite enlarged capacity, Canada must import substantial quantities of steel from sources outside the Dominion. Such imports must now be confined almost wholly to war requirements.

Measures to conserve steel and iron have been taken. Other materials are being used wherever possible. Structural steel shapes have been standardized and reduced in number from 267 to 70. An informal system of priorities has been operated to ensure that essential undertakings have the steel they require. A Wartime Steel Advisory Committee has recently been appointed to protect the requirements of Canada's munitions industry. For some time all orders for pig iron have had to be approved by the Steel Controller, who approves them on the following priority basis: castings required for war work; castings required by transportation systems, mining and petroleum

industries, and public utilities; castings for agricultural implements, and the pulp and paper and lumber industries; and castings not otherwise classified.

Metals, Minerals and Alloys: The following are among the important minerals which are under the supervision of the Metals Controller, who was appointed in July, 1940,—aluminum, nickel, gold, copper, zinc, cobalt, lead, molybdenum, chromium, tin, manganese, potash, tungsten, and magnesium. The first eight are available in quantity in Canada; the others have to be imported in greater or less degree to meet normal requirements.

Production of the minerals normally turned out in quantity has been greatly increased; output of others of which Canada has some supply has been stepped up. But Canada has not only increased her mineral output to record proportions since the outbreak of war; she has also developed sources of several strategic minerals, most of which were never turned out in the Dominion in any quantity before the war. Mercury has been in production for about a year, and tungsten, antimony and manganese are being developed. Widespread surveys are being carried out by the Dominion Government and other agencies with the purpose of opening up new sources of strategic mineral wealth.

In addition, imports of needed metals have been increased wherever possible. While exports of scarce metals are severely restricted, Canada's exports to Britain and the United States of those she produces in quantity, such as nickel and aluminum, have greatly increased. Recent arrangements provide for further expansion in the output of nickel and aluminum and for increased exports to Britain and the United States.

The use of metals in Canada for non-war purposes has been curbed by agreements between the Metals Controller and industry. A variety of measures have been adopted, of which the following are important examples.

The first step in aluminum control was taken in August, 1940, when the use of aluminum for electrical conductors was banned. At the same time, manufacturers of aluminum cooking utensils and foil rollers were notified that supplies of primary aluminum would not be available for those purposes. As of July 15th, 1941, control and curtailment were extended to secondary and scrap aluminum. There has as yet been no need to take any mandatory

action in connection with prices for secondary or scrap aluminum. In the case of scrap, the producers and users of secondary aluminum in Canada are voluntarily adhering to the price schedule prevailing at the outbreak of war. Also, in co-operation with the Metals Controller, they have agreed to restrict the use of secondary aluminum as far as possible to essential war purposes. The use of aluminum powder is being strictly rationed for essential needs or for purposes where no substitute is practical.

The International Nickel Company of Canada is the only producer and distributor of primary nickel in Canada and prior to any official action, this company, in co-operation with the Metals Controller, took steps to exercise a measure of control in the domestic consumption of the metal.

Curtailment of domestic consumption of zinc was started in May, 1941. As a first step, all exports of zinc die castings were stopped. Then representatives of all principal industries using zinc were called together by the Metals Controller and their co-operation was secured in bringing about domestic curtailment. In order to institute curtailment of zinc oxide in the rubber, paint and miscellaneous groups, thus saving zinc metal, the Metals Controller has formed a Zinc Oxide Committee which includes all principal producers and distributors of this product in Canada. This Committee meets regularly to allocate available supplies for most essential purposes.

The following table indicates the extent to which the use of aluminum, nickel and zinc is being restricted to essential undertakings:

	1940		Estimated 1941	
	Essential	Non-Essential	Essential	Non-Essential
	Use	Use	Use	Use
	%	%	%	%
Aluminum	73	27	98	2
Nickel	60	40	85	15
Zinc	36	64	75	25

Canadian production of alloys is ten or twelve times the pre-war level.

Chemicals: Measures to assure an adequate supply of chemicals, constituents and intermediates have been taken from time to time. In July, 1941, a Chemicals Controller was appointed to supervise this work.

Shipping: More than 100 freighters of the 9,300-ton and 4,700-ton classes are to be made in Canada at a cost of about \$200,000,000. Eighty of these will be in service by the end of 1942. Several keels have already been laid down, and the first freighter is to be ready for the sea by December of this year.

Canada has taken all possible steps to increase the number of ships available to Britain. This has been done in addition to carrying on her own essential water-borne trade. Besides all ocean-going merchant vessels which could be spared, a large number of Great Lakes vessels, a number of vessels of special type, such as salvage vessels, and a considerable number of tankers have been made available to Britain. Arrangements are being made to transfer Canadian Lakes vessels to coastal work next winter, in order that coastal ships may be freed for deep-sea duties. All vessels taken in prize or requisitioned by the Canadian Government are being used to carry goods to Britain, with the exception of one which is unsuitable for such service.

Manning pools to provide groups of experienced merchant seamen at short notice will soon be established to facilitate merchant ship movements.

Canadian ship-repair facilities are being stepped up to a maximum to assure a rapid turn-around for merchant shipping and to provide quick repairs for ships of war. New drydocks are being rushed to completion in important ports.

Miscellaneous: Early in August, 1941, an Order in Council was passed "freezing" all raw silk not required for the production of war materials. The move was made to conserve available supplies of silk, in view of the uncertainty of future shipments from abroad. A Government-owned company has been given control of silk supplies and matters relating thereto.

Co-operation with Britain and the United States

Co-operation with Britain and the United States in measures to ensure adequate supplies of machine tools and raw materials, has been very close from the beginning of the war. Recent steps to integrate the supply programs of Canada and the United States are assisting this vitally important co-operation to function as efficiently as possible.

The Necessaries of Life

*Functions of the Wartime Prices and Trade Board up to
August 29th, 1941*

At the outbreak of war the Government took immediate steps to assure an adequate and continuous distribution of the necessities of life at reasonable prices, to eliminate hoarding and profiteering, and to curb those who otherwise might turn national needs into personal profits. A Wartime Prices and Trade Board was established and endowed with wide powers permitting, where necessary, an adequate control of the production and distribution of the necessities of life. The chief function of the Board has so far been to protect the consumer from exploitation.

Work of the Board

The Board has investigated the distribution and sale of most important consumer commodities, including sugar, butter, tea, flour and feeds, bread, meat, canned goods, cod liver and other oils, cloth and clothing, hides and leather, wool, coal, and rents; and, with the help of Technical Advisers and Administrators, it has endeavoured to forestall shortages wherever and whenever possible. In certain cases it has been found necessary to fix prices for a period of time, but the only maximum price at present imposed by order of the Board is that on rents in crowded centres. In most cases, the Board has been able to prevent unjustified price increases by creating an enlightened and effective public opinion, and by taking all possible steps to ensure ample supplies.

This work has involved a great amount of detailed study and negotiation. Technical Advisers are experts in their own fields, but Administrators are chosen from outside the industry in question so that unbiased authority may be exercised.

The Board's efforts to secure enlightened and voluntary co-operation have been most outstanding in regard to prices. An interesting example of the Board's work in the price field is the administration of rent control in crowded centres. The Board "pegs" rents as of a certain date and provides both landlords and tenants with detailed information on rentals. For those who are unable to obtain satisfaction as a result of this instruction, courts operate to hear appeals. Recent advice issued to the public by the Board includes its "serve by conserving" campaign,

which urges householders, hotels, restaurants, shops, etc., to make the most economical use of perishable foodstuffs, animal fats, and other foods often allowed to go to waste.

The problem of ensuring ample supplies of the necessities of life is a very complicated one and various methods have been adopted in this matter. For example, a system of import and export licensing, combined with efforts to increase domestic production, has been used to conserve available supplies of fish livers and oils, hides and leather and wool. Again, Government purchasing, as in the cases of sugar and wool, has been carried out to assure adequate supplies at economical prices and to allow maximum co-operation with Britain in the use of shipping facilities. The problem of distribution has engaged the Board's attention and various measures to ensure the best possible transportation facilities and rates for essential products have been taken. Another task which the Board undertakes is the investigation of complaints of hoarding and profiteering. It takes corrective action where necessary.

The Board has at all times co-operated with the Food Supply and Shipping Controls in Britain. Several measures helpful to these offices have been taken since the outbreak of war.

Difficulties Faced

The difficulties faced by the Board have been many. Depreciation of the Canadian dollar, disorganized shipping, tremendous increases in ocean freight rates and war insurance costs, and substantial increases in taxes on many commodities, have all affected the prices of certain essential products. Nevertheless, by careful planning and co-operation it has been possible to maintain an adequate and uninterrupted flow of the necessities of life on to the Canadian market.

The cost of living since the outbreak of war has risen about 11.1 per cent, an increase which is spread fairly evenly through all sections of the country.

Agriculture and the War

The Agricultural Supplies Board

While prices of farm commodities are supervised by the Wartime Prices and Trade Board, the Dominion Department of Agriculture is in charge of food production in wartime. At the beginning of the war, the Department

set up an Agricultural Supplies Board generally to direct production activity and to deal with other agricultural problems arising out of the war. It is the responsibility of the Agricultural Supplies Board and its collaborating provincial production committees to ensure that Canadian agriculture is conducted, during war-time, in a manner calculated to satisfy, as far as possible, the needs of Canada and of Britain for food and fibres.

The Board has acted as a central directive agency, attempting to guide production in the light of Canada's known needs and of British requirements as ascertained through constant telegraphic and, when the need arises, personal communication with the British authorities. Through special sub-committees, the Board assures supplies of fertilizers and pesticides needed in Canada; by Dominion-Provincial joint programs, production is undertaken in suitable areas of those field root and vegetable garden seeds ordinarily supplied in large measure by Europe; and by direct action, the Board controls the fibre flax industry in Canada to make sure that a maximum quantity of flax fibre and tow goes forward to the British Fibre Control, and that surplus fibre flax seed from Canada is made available to Northern Ireland.

To prevent dislocations in the agricultural industry, the Board has endeavoured to assist those branches of agriculture that, through the disappearance under war conditions of normal export outlets, have become war casualties. A case in point is the apple industry, which, particularly in Nova Scotia and British Columbia, has been developed on an export basis.

Food For Britain

Independent of the above Board, but working in close collaboration with it, are three Boards which purchase and forward supplies of Canadian farm products contracted for under agreements between the British Ministry of Food and the Canadian Government. The Bacon Board buys, stores and ships bacon and other pork products required by Britain, limiting, when necessary, supplies used in Canada in order to ensure that contract needs are met. The Dairy Products Board acts in a similar capacity with respect to Canadian cheddar cheese needed by Britain, and takes such measures as will ensure needed supplies of other dairy products for Britain or for the domestic market. A Special Products Board, established in the

spring of 1941, is responsible for purchasing and shipping to Britain certain Canadian farm produce, such as eggs and fruit and vegetable products, not already being handled by the two Boards mentioned immediately above.

An important wartime problem which the Department of Agriculture has dealt with is the surplus of wheat and the related problem of providing adequate supplies of feed for livestock at reasonable prices. As Canada has a large wheat surplus, the Government has instituted a policy of wheat acreage reduction. At the same time, more coarse grains are being grown. This policy, combined with moves to reduce the price of millfeeds and restrict their exportation, will assist livestock production and thus provide more of the products Britain needs in greater quantity—cheese and pork products.

Most of Canada's cheese now goes to Britain. To make this economically possible and to assure a reasonable price to British buyers, the Canadian Government pays about one quarter of the return to the producer on all cheese sold to Britain. In 1938, 76,000,000 pounds of Canadian cheese went to Britain. Since the war, the quantity has steadily increased, and at least 112,000,000 pounds are being sent in the year ending March next.

Similar steps have been taken with respect to bacon and other pork products. The amount of such products available for domestic consumption has been reduced by about 25%; Canadian citizens have been asked to cut their consumption of pork meats drastically; such products are no longer to be exported to any country except Britain or British possessions; and the Government has undertaken as in the case of cheese, to pay a substantial share of the return to the producer. In 1938 Canada sold 160,000,000 pounds of bacon and other pork products to Britain. It is estimated that by October of this year, Canada will have exported to Britain 800,000,000 pounds of such products since the war began.

Canada has shipped about 15,000,000 dozen eggs, more than 200,000,000 bushels of wheat and about 7,000,000 barrels of flour to Britain since the outbreak of war. Recently Canada agreed to deliver 120,000,000 bushels of wheat to Britain during the year ending May next. Millions of pounds of concentrated milk have been sent to Britain since the beginning of the war. Thousands of tons of canned goods have been shipped, and about

13,000,000 pounds of honey. About two-thirds of the Canadian canned salmon pack is going to Britain this year.

The war has depressed certain lines of agriculture. But it has on the whole presented a real challenge to Canadian farmers. Britain needs certain products in as large quantities as shipping space will allow; other products she does not want or cannot take under war conditions. Nevertheless, Canadian farmers are becoming as far as is practicable suppliers of Britain.

Labour and the War

Labour Supply

Labour supply problems are receiving close attention from a number of agencies—the National Labour Supply Council, the Labour Co-ordination Committee and the Wartime Bureau of Technical Personnel. The latter is encouraging the transfer of experts from non-war to war work, and the training of men for war jobs in the shops of established plants. Several of Canada's leading industries are already co-operating in this latter work. The War Emergency Training Program is training thousands of previously unskilled workers in technical and plant schools throughout the country. Many of these are women. About 100,000 workers are to be so trained during the course of this year.

It is estimated that about half the persons employed in manufacturing in the Dominion are now engaged more or less directly on production associated with war-time needs. Many thousands of women are now employed in factories which manufacture shells, ammunition, guns, airplanes and other war equipment. However, only about 60% of the man and woman power that will ultimately be required to carry out Canada's industrial war program are now engaged in the production of munitions and war equipment. It is expected that war industries will draw heavily on peace-time occupations during the coming months.

A precautionary measure giving the Government power to protect the supply of key workmen in Canadian war industry was taken recently when an Order in Council was passed extending the provisions of a previous order preventing employers from enticing to their service persons already engaged in war production. The new order gives the Government such powers as are necessary to keep in

war industry persons in certain scarce or skilled trades. This may be done by the establishment of a system of priorities operating through employment offices.

Labour Relations

The Government has taken several steps since the outbreak of war to encourage good relations between management and labour and to effect a satisfactory adjustment of wages to wartime conditions.

In November, 1939, the provisions of the Industrial Disputes Investigation Act were extended to cover disputes between employers and employees engaged in war work. This means, among other things, that a strike in a war industry is illegal if called before a conciliation board brings in its finding. In June, 1940, an Order in Council was passed enunciating certain principles for the avoidance of labour unrest during the war and a National Labour Supply Council, equally representative of management and workers, was established. In December, 1940, a wartime wage policy, taking the 1926-29 level as the norm and suggesting that any increases be in the form of wartime cost-of-living bonuses, was adopted. In June, 1941, an amendment to the Industrial Disputes Investigation Act was passed. Designed to ensure that conciliation board findings will be completely impartial, it prohibits the nomination to conciliation boards of persons who have pecuniary interest in one side or the other in a dispute or who have within six months acted as lawyer or paid agent for either side in the dispute. In June also the Government set up an Industrial Disputes Inquiry Commission to deal with labour trouble in its incipient stages and to determine whether or not a conciliation board is necessary. The Government has raised the minimum wages payable by manufacturers doing war work.

Early in July the Canadian Government made known its approval of a cost-of-living bonus for about 3,000,000 workers in Canada. The bonus is based on a rise in the cost of living above the level of August, 1939, and is calculated at the rate of \$1.25 per worker per week for each five per cent rise in the cost-of-living index.

The Order of December, 1940, (P.C. 7440) made provision for payment of a flat-rate bonus when it is found that the cost-of-living index of the Dominion Bureau of Statistics has risen at least five per cent and thus impaired the power to purchase basic necessities of life. The cost-

of-living bonus is intended to give labour a shield against the worst consequences of rising prices, without causing further rise in wages which would likely lead to inflation. It is in line with the Government's policy of curbing price increases, controlling rents and restricting profits.

Average money wage rates are higher to-day than they have ever been in Canadian history with one exception. In 1920 wages were about 2 per cent higher than to-day; but the cost of living was nearly 50% higher. Present-day conditions also compare favourably with 1929. Wage rates are about 4 per cent higher than in 1929 and the cost of living is about 7% lower.

The work of the Industrial Disputes Inquiry Commission indicates that the cost-of-living bonus policy is being successfully applied in war industries. In seven out of eight disputes recently settled by the Commission, management and labour accepted the principle of the cost-of-living bonus. Many other employers in Canada, including the Dominion Government, are paying the cost-of-living bonus.

On July 1st, unemployment insurance came into operation in Canada. It applies to some two and one-half million workers, who, with their dependents, total nearly one half the population of the country. The Plan is administered by a commission representing the three parties who contribute to the fund from which unemployment benefits will be paid; namely, workers, employers and the State. A worker's contribution ranges from twelve to thirty-six cents a week, depending on his earnings. Amount of benefit an unemployed worker receives and the length of time he receives it, are strictly related to the length of time he has contributed to the fund and the amount of his contribution. The contributions of workers and employers, running to millions of dollars annually, are, incidentally, of real assistance to the war effort.

Government Moves in Labour Disputes

In recent months the Government has found it necessary to take certain specific actions in labour disputes. In April, 1941, a Hamilton steel industry was firmly dealt with. A dispute between the management and the workers was referred to a conciliation board, as is required by law. However, the management refused to accept the majority finding of the board and the workers went on strike.

Without delay the Government, invoking the powers it possesses, sent in a controller to take over management of the plant. The next morning the plant was producing and the workers were back at their jobs. A strike which subsequently occurred in the same plant in July, 1941, was ended after negotiation with the Government.

In June, 1941, strong action was taken against strikers who were impeding war production. Under authority of the Industrial Disputes Investigation Act, summonses were issued on June 12th against a number of employees of the Canadian General Electric Company in Toronto. They were charged with participation in a strike which was illegal because it occurred before the dispute had been referred to a conciliation board. Convictions were registered on July 15th and the men were fined.

A five-day shut-down which occurred late in July, 1941, in the plant of the Aluminum Company of Canada at Arvida, Quebec, led the Government to take further precautions against actions which impede war production. Under the War Measures Act an Order in Council was passed on July 29th, the day the shut-down ended, amending the Defence of Canada Regulations so that they now give the Minister of Munitions and Supply authority to request the Minister of National Defence to call out units of the Active Army to prevent or suppress riots, disturbances of the peace or other actions likely to impede or obstruct the production or delivery of munitions of war or supplies or the construction of defence projects. The new regulation provides for action without delay. The Minister may utilize the Royal Canadian Mounted Police; or if they and municipal and provincial police are insufficient, he may call upon the Active Army.

The new regulations do not prevent the calling of a legal strike in Canada.

Industrial Security

The Government has taken steps, through the Division of Industrial Hygiene in the Department of Pensions and National Health, to improve and preserve the health of employees in war industry. Working conditions in defence plants are closely supervised. Advice on occupational hazards and disease is circulated to employers and

employees. Workmen's Compensation Boards are supplied with information concerning new occupational diseases arising out of war manufacture. Laboratory research on occupational hazards is carried out.

An Industrial Security Branch of the Department of Munitions and Supply has recently been established to assist Canadian war industries in assuring that maximum protection is provided for their plants.

Transit

A transit controller has recently been appointed by the Department of Munitions and Supply. This is a precautionary measure directed primarily at congested traffic conditions in key war centres. The new controller has complete control over transportation facilities and power to establish schedules of fares. He may regulate the parking of vehicles. He is empowered to stagger working hours to relieve transportation congestion and may order any employer to arrange or alter the hours of employment of employees in order to assure that such proportions as the controller may fix will arrive at or depart from their places of employment at such times as may be directed.

Foreign Exchange Control

(See also pages 64-66)

Canada's United States Dollar Problem

A supply of foreign exchange, particularly United States dollars, is vital to Canada's war program. To help to ensure this supply and to perform other necessary functions, the Foreign Exchange Control Board was given the necessary powers at the beginning of the war.

Canada normally sells the Sterling resulting from her Empire trade in order to get American dollars to cover her trade deficit with the United States. But the war has made this procedure impractical. For Britain has needed most of her gold and American dollars for her own war purchases in the United States, and so has not been able to continue to convert Canadian Sterling credits into United States dollars. Moreover, since the beginning of the war, Britain has been able to settle only a fraction of her billion dollar trade deficit with Canada by transfer of gold; and since December of last year no gold has been transferred from Britain to Canada.

At the same time Canada's net deficit with the United States, on both current and capital account, has increased. In 1938, the last full year before the war, it was about \$115,000,000. In the year and a half between September 15th, 1939, and March 31st, 1941, it was about \$477,000,000. In the present fiscal year (April 1st, 1941, to March 31st, 1942) it will amount to about \$467,000,000, less whatever reduction is effected under the terms of the Hyde Park Declaration.

Thus, because of greatly increased war purchases in the United States, Canada, since the beginning of the war, has been faced with a widening differential between the amount of U.S. dollars she needs and the supply she is able to command. For, under the terms of the United States Neutrality Act, Canada's vast war purchases in the United States on her own account must be paid for in cash in United States dollars. And at the same time, because of the financial burden which the war has placed on Britain, the Dominion has been unable to make up her exchange deficit with the United States in the normal peace-time manner.

Conserving United States Dollars

Foreseeing this situation, the Canadian Government did the only thing possible. It took steps to conserve the American dollars in Canadian possession and to increase that supply where possible. Canada has tried to avoid the accumulation of unliquidated obligations during the war which would only make it more difficult to do away with the control after the war. Instead, the Dominion has made every effort to meet her exchange shortages by making her own residents do without things which are not essential. Over a year ago Canada placed a special war-time tax on all imports except those paid for in Sterling. This has substantially reduced the purchase of non-essential imports. In July of 1940, Canada ceased to permit the sale of United States dollars to Canadians for pleasure travel abroad. It was a necessary choice of buying holidays or buying war supplies from the United States. The Government did not like to do this, but since a very substantial saving of exchange could be effected, it felt that the step was necessary. Finally, about the end of 1940, Canada took the more drastic step of prohibiting the importation of a long list of non-essential consumers' goods. For certain other major items gradual reductions

in imports by Canadians were decreed. Such articles include automobiles, radios, cameras, electric fixtures, household appliances and scores of similar products.

Foreign exchange provided in these and other miscellaneous ways, substantially add to the normal supply accruing from the export and tourist trades and help to provide Canada with a pool out of which she may pay for imports, service Canada's debt payable in foreign currencies and cover other necessary external disbursements. In order that Canada may continue to purchase goods in the United States on a scale commensurate with the demands of her war program, it has been necessary to continue the methods for conserving foreign exchange outlined above, even though the Hyde Park Declaration has established a principle which, it is expected, will result in an easing of Canada's foreign exchange position.

For this reason, among others, Canada this year is especially anxious to attract American tourists to the Dominion. Americans can visit Canada and return without difficulty. They are assured of unique vacation facilities, will enjoy a 10% premium on their money, and will have the satisfaction of knowing that every American dollar they spend in Canada will go back to the United States to purchase war supplies for the Canadian armed forces.

Other Foreign Exchange Control Measures

The Foreign Exchange Control Board exerts other war-time controls which bring needed United States dollars to Canada. It has also taken steps to stabilize the Canadian dollar, a condition which is vital to Canadian trade, and to prevent disorderly marketing of securities or an outflow of capital from Canada—developments which usually threaten a nation engaged in war. All these measures have been indispensable to the economic stability of Canada and to the efficiency of her war effort.

FINANCIAL UNDERTAKINGS

Wartime Financial Policy

The main lines of Canada's financial policy during the war have been, firstly, to pay as much as possible of the costs of war from taxation; secondly, to impose this increased taxation in accordance with ability to pay;

thirdly, to avoid inflation; and, fourthly, to time financial action in such a way as to encourage a rapid expansion of production to the maximum.

War Spending

Total War Spending

In the first nineteen months of the war (to March 31st, 1941) Canadians spent a total of about \$1,400,000,000 on their own war effort and on aid to Britain.

Canada's total war spending in the current fiscal year (April 1st, 1941, to March 31st, 1942) has been estimated to be somewhere between \$2,100,000,000 and \$2,350,000,000, the exact amount depending on as yet undeterminable factors. This is about 40 per cent of the total estimated national income of less than \$6,000,000,000. In terms of the relative national incomes of Canada and the United States, it would be equivalent to an expenditure by the United States for defence and for aid to Britain of about \$35,000,000,000 in a single year.

When war expenditures are added to the ordinary expenses of all Canadian governments, federal, provincial and municipal, Canadian citizens this year will have to give up about fifty cents of every dollar earned to foot the bill. The Dominion Government alone is spending about five times as much this fiscal year as it spent in the last full fiscal year before the war.

Direct War Spending

Canada's direct war spending has increased steadily and momentarily. In the first 19 months of the conflict (to March 31st, 1941) the Dominion spent approximately \$910,000,000 on her own war activities. In July of this year direct war expenditures reached the record figure of \$108,000,000, almost as much as was spent during the first six months of the war. It is expected that direct war expenditure in the current fiscal year (April 1st, 1941, to March 31st, 1942) will be approximately \$1,450,000,000—nearly twice as much as the amount spent in the previous fiscal year. The current rate of expenditure is nearly \$4,000,000 a day.

Indirect War Spending: Financial Aid to Britain

In addition to this direct expenditure on her own war requirements, Canada provides Britain with Canadian dollars to finance the bulk of British war purchases from Canadian firms. By repatriating Canadian bonds held in Britain, Canada is today paying obligations which ordinarily would not fall due until future years. By accumulating Sterling balances Canada, in effect, lends Great Britain money. The Dominion had by June, 1941, supplied Britain with about \$750,000,000 in these ways—about three-quarters of Britain's trade deficit with Canada since the beginning of the war. The net amount which Canada expects to provide for this purpose in the present fiscal year, which ends on March 31st, 1942, amounts to between \$800,000,000 and \$900,000,000, the bulk of the Canadian dollars Britain needs to pay for war purchases in Canada.

War Taxes

This fiscal year the Dominion Government is collecting about three times as much in taxes as it collected in the last full fiscal year before the war.

Pre-war taxes have been increased and new taxes imposed. The following figures indicate the increase in tax revenue since the outbreak of war.

Total Revenue from Taxes

	Estimated for 1940-41 Fiscal Year	Budgeted, 1941-42, for Full Fiscal Year
1939-40 Fiscal Year		
\$468,271,000	\$778,290,000	\$1,369,310,000

Increase in Direct Taxes

Direct taxes of all kinds will raise more than five times as much this fiscal year as they did in the last full fiscal year before the war. Income tax rates were raised in June, 1940, and again in April, 1941. The graduated rates now begin at 15%, compared with 3% before the war. Exemptions have been lowered as well. In June, 1940, a National Defence Tax was imposed on practically everyone receiving salary or wages. The rates were 2% and 3%, and in July, 1941, these were raised to 5% and 7%. The combined effect of these moves has been to increase the amount of tax on personal income and the number of persons paying income tax very considerably. Five times as many people as before the war now pay income taxes of all kinds.

Taxes on personal income have very sharply increased, as indicated by the following table:

*Taxes on Income Paid by a Married Canadian With
No Dependents*

Income	Tax on 1939 Income	Tax on 1940 Income	Tax on 1941 Income
\$	\$	\$	\$
1,500.....	0	30	75
3,000.....	36	195	400
5,000.....	144	555	1,000
10,000.....	781	2,070	3,080
50,000.....	14,351	21,390	26,965
100,000.....	39,299	51,300	61,875

Immediately after the outbreak of war in September, 1939, an excess profits tax was announced. The operation of this tax, combined with increases in corporation taxes, have now advanced the minimum rate of corporation tax to 40%. This is a very much higher rate than that prevailing before the war. Increases in corporate profits over the standard pre-war rates are subject to a tax of 79½%. This is about the same rate as that now in force in Britain. This tax ensures that if any company does increase its profits because of war conditions, the Dominion Treasury will derive nearly all the benefits.

Another measure to increase direct tax revenue which has been imposed since the outbreak of war, is the levying of a Dominion Government succession duty, in addition to the succession duties already imposed by the Provinces.

In order to spread the tax load as fairly as possible through all sections of the country, an arrangement is being worked out with the Provinces which will centralize income and corporation tax collections.

The extent to which all these moves have increased direct tax revenue is indicated by the following figures.

Total Revenue from Direct Taxes

1939-40 Fiscal Year	Estimated for 1940-41 Fiscal Year	Budgeted, 1941-42 for Full Fiscal Year
\$136,910,000	\$274,690,000	\$732,000,000

Increase in Indirect Taxes

Before the war the Dominion Government secured indirect tax revenue from customs duties and a sales tax on a variety of commodities and also from excise taxes on automobiles, tires and tubes, liquor, beer and malt, wine,

cigarettes, cigars, tobacco, matches and cigarette lighters, playing cards, cosmetics and toilet preparations, sugar, glucose and corn syrup, and long-distance telephone calls.

These taxes, with the exception of the sales tax, have been substantially increased since the outbreak of war. Increases in customs duties have also been effected. More than a year ago a war exchange tax was placed on a wide variety of imports, including automobiles and scores of durable consumers' goods. This tax now applies to a very wide assortment of "non-essential" imports. It was imposed not only to obtain revenue but also to conserve foreign exchange for Canada's enormously increased war purchases abroad, particularly in the United States.

In addition to increases in existing indirect taxes, new taxes have been imposed since the outbreak of war on the following—radios, cameras, phonographs, vacuum cleaners, washing machines, electric toasters and other household appliances, soft drinks, gasoline, travel fares on trains, buses and airplanes, entertainment such as movies, concerts, sports events, horse racing, etc., and race track bets.

Indirect taxes now raise about twice as much revenue as they did before the war. The following figures indicate the steady rise in indirect tax revenue in the last two years:

Total Revenue from Indirect Taxes

1939-40 Fiscal Year	Estimated for 1940-41 Fiscal Year	Budgeted, 1941-42 for Full Fiscal Year
\$331,361,000	\$503,600,000	\$637,310,000

War Loans and Savings

Since the outbreak of war the Dominion Government has borrowed about \$1,470,000,000 from the public and from domestic financial institutions other than banks. This is equivalent to more than \$20,000,000,000 in terms of the relative national incomes of Canada and the United States. This money has been raised by the floating of three war loans and by the issue of war savings and non-interest-bearing certificates to the public. The war loans have provided the Government with more than \$1,200,000,000 in new money and about \$171,000,000 in conversions.

All three war loans have been oversubscribed. The recent 1941 Victory Loan, nominally for \$600,000,000, raised \$711,000,000 in cash subscriptions. This is more than the amount invested in the 1918 Victory Loan,

Canada's largest loan during the last war. Including conversions, the total raised was \$807,000,000. The Government has accepted the whole of the oversubscription. The Loan was remarkable for the number of small investors who bought bonds. About one in every thirteen Canadians, including men, women and children, subscribed to the Loan. Interest on Government bonds has been held at a low rate, and there are no tax-free war bonds.

At the end of August, applications for war savings certificates amounted to about \$82,000,000, and more than \$7,000,000 had been invested in non-interest-bearing certificates. War savings certificates have a face value of from \$5 to \$100 and may be purchased by the accumulation of 25¢ war savings stamps.

The Government expects in the present fiscal year to receive about \$200,000,000 in return for war savings certificates and in other forms of citizens' savings.

The amount of bank borrowing by the Dominion Government has been cautiously limited.

"Balancing" the Budget

The total amount which the Federal Government will have to raise for war and ordinary purposes in the present fiscal year is estimated to be about \$2,650,000,000—about 45% of the total estimated national income during the same period. Of this amount taxes and non-tax revenue will provide about \$1,400,000,000 in the actual fiscal year ending March 31, 1942.

However, in estimating the extent to which the Government is adhering to a "pay-as-you-go" policy, it should be remembered that funds advanced by Canadians to Britain now are covered by the accumulation of Sterling balances; and repatriation, while it must be paid for now by Canadians, is not a drain on capital. On this basis, the 1941-42 budget provides for the payment of between 73 per cent and 79 per cent of total federal expenditures (including ordinary disbursements and expenditure on Canada's own war program) out of revenue. The excess of expenditures over revenue is estimated at between \$365,000,000 and \$515,000,000.

War Economies

The War Expenditures Committee of the House of Commons, composed of members from both the Government and the Opposition sides, is charged with the duty of

examining war expenditures. It has recommended several economy measures, some of which have now been carried out. The Chairman of the War Expenditures Committee has succinctly expressed the aim both of the Committee and of the Parliament it serves: "A dollar's worth of war effort for every dollar spent."

VOLUNTARY CONTRIBUTIONS AND SERVICES

(See also page 22)

Contributions

Canadians have responded enthusiastically and generously to the many calls for voluntary contributions made since the outbreak of war. A total of 1,894 organizations are engaged in voluntary war work. They provide aid for Britain, look after the welfare of Canadian forces both overseas and in Canada and perform other war-time services. Their efforts have been co-ordinated under the supervision of the War Charities Administrator, one of whose functions is to see that no war benefit operates with an overhead of more than 25%. Canadians have contributed about \$26,500,000 to war charities since the outbreak of war. The Canadian War Services Fund combines six major charities devoted to the welfare of the fighting forces. These are the Y.M.C.A., the Y.W.C.A., the Knights of Columbus, the Imperial Order of the Daughters of the Empire, the Salvation Army and the Canadian Legion. The Canadian Red Cross, in addition to its work in Britain, has sent many thousands of parcels to British prisoners in internment camps and assisted Canadians to communicate with their friends in invaded and occupied countries and in internment camps. Other organizations assist the victims of enemy bombing, aid refugees, evacuees and specially deserving groups such as British fire-fighters, and raise funds to purchase war planes, ambulances and mobile kitchens. These organizations include, to mention but a few, the Federated Women's Institutes of Canada, the Imperial Order of the Daughters of the Empire, the Catholic Women's League, La Fédération des Femmes Canadiennes-Françaises, Loyal Orange Lodges, and Church organizations of every denomination.

Thousands of Canadians and a large number of Americans have sent nearly \$2,000,000 to the Canadian Government as "free gifts" to help the war effort.

Services

Thousands of Canadians are engaged in voluntary war work. Air Raid Precautions services have been organized in many communities and thousands of Wardens are now being trained. The services of many "dollar-a-year" men have been offered to and accepted by the Government. They occupy key positions in Canada's war machine. Others have undertaken work in connection with the supplying of Britain from this continent. Outstanding among the latter was Rt. Hon. Arthur B. Purvis of Montreal, formerly head of the British Supply Council of North America, who lost his life in a 'plane crash when on his way to Britain in August, 1941. His work is recognized as one of the most outstanding war services yet performed for the Empire. Scientists and technical experts have placed their skill and knowledge at the disposal of the government. More than ten per cent of the registered medical doctors in Canada are now on active service with the armed forces. Hundreds of qualified nurses are also serving with the forces and a large number are overseas. Newspapermen, university professors, and many others, both prominent and obscure, have come to the aid of their country in the ways best suited to their talents and connections. The Canadian Manufacturers' Association, the Chambers of Commerce, the Boards of Trade, and the Service Clubs, such as Rotary, Kiwanis and Lions, play their part in the war effort.

Women of Canada, in all parts of the country, in their homes, organizations, clubs and churches have devoted themselves to providing clothing and other material for the comfort of civilians and combatants in the war zones and for Canada's armed forces.

Young women's organizations have increased rapidly in number and in strength. It is estimated that more than 10,000 Canadian women now wear the uniforms of volunteer organizations. The Canadian Auxiliary Territorial Service and the Canadian Women's Service Force both started in Ontario and now have branches in other provinces; there is the Women's Volunteer Reserve Corps in Montreal, the Women's Auxiliary Defence Corps in Hamilton and the Women's Reserve Corps in British Columbia, to mention but a few of the groups now organized to assist the war effort. More than 1,000 women are serving with the Canadian Red Cross Transport Service. With their associated services—the nursing service and

the office and food administration—they comprise the Canadian Red Cross Corps of some 3,800 members throughout the country. The Corps is affiliated with the Royal Canadian Army Medical Corps.

Canadian children are also playing their part. Junior branches of the Canadian Red Cross throughout the country have raised thousands of dollars for patriotic purposes and have sent thousands of articles overseas. Thousands of boys and girls and young women have been placed on farms during the summer months to replace men who have joined the armed forces. Boys and girls throughout the country have enthusiastically gathered salvable materials and purchased war savings certificates.

Canadian homes and schools are taking care of 6,000 children evacuated from Britain to Canada. It is estimated that 100,000 would have been accommodated, had circumstances allowed this.

A special nation-wide drive to obtain used aluminum articles from Canadian households takes place this month. Actually, salvage of aluminum and other waste materials has been going on in many parts of Canada for more than a year. These pioneer efforts were officially recognized in April, 1941, when a National Salvage Campaign was launched by the Dominion Department of National War Services. It has now increased the number of centres taking part to over 2,400. Men, housewives, school children and farmers have been informed by leaflets, posters and press notices of how they can best help. A variety of collection methods has been adopted and extraordinary success has been achieved in many centres. Materials being salvaged include aluminum, copper, brass and other metals, scrap iron and steel, carpets, woollens, mixed rags, bottles and glass, old tires, old shoes, bagging, string, cork, rubber, oils and fats, waste paper, newspapers and magazines.

WAR ADMINISTRATION

Canada's war policies are instituted by the War Committee of the Cabinet, which consists of the Prime Minister, the three Defence Ministers, the Minister of Munitions and Supply, the Minister of Finance and three senior Ministers. Like the Cabinet itself, it is responsible directly to Parliament, and it has full powers to make decisions and carry them into effect. Through the Ministers who meet in the Committee questions of policy

are worked out in relation to the whole pattern of the war program.

The complexities of war administration are dealt with by a great many special war organizations, some of which have been referred to in these pages. The activities of these organizations, of the defence departments and of other smaller bodies set up since the beginning of the war, have drawn many thousands of office workers to the Canadian capital and other key points.

THE UNITED STATES AND THE CANADIAN WAR EFFORT

(See also pages 53-55)

Canadian Purchases in the United States Increased Because of War

Canada buys many essential war materials and machine tools in the United States, and since the outbreak of hostilities has bought them in increasing quantities. In spite of a reduction in the amount of "non-essential" commodities coming to Canada from the United States, Canada's imports from that country have increased greatly since the outbreak of war. In 1938 they were valued at \$425,000,000; in 1939, in September of which year the war began, they rose to \$497,000,000; and in 1940 they soared to \$744,000,000. In the present fiscal year (April 1st, 1941, to March 31st, 1942) they are expected to reach \$953,000,000, of which at least \$428,000,000 will be for war purchases. At the same time it has been estimated that Canada's exports to the United States this fiscal year would run, under normal trade arrangements, to \$475,000,000—which would leave Canada with a trade deficit with the United States of about \$478,000,000.

The Hyde Park Declaration

The Hyde Park Declaration has established a principle which, it is expected, will reduce this deficit and assist Canada to maintain and increase her war purchases in the United States. As a result of the agreement, it is expected that Canada will be able to sell to the United States additional defence materials and some articles of war to the value of between \$200,000,000 and \$300,000,000 during the twelve months ending April next year. In addition, the United States is to lend-lease to Britain materials and

parts to be shipped to Canada as components in Canadian production for Britain. Canada, herself, is not obtaining supplies from the United States under the lend-lease plan, but is paying cash in American dollars for everything which she purchases in the United States on her own account.

Canadian Exports to United States Increase

Canada has increased her exports of essential raw materials to the United States in the two years since the outbreak of war. Nickel, aluminum, other non-ferrous metals, non-metallic minerals, timber, pulpwood, pulp and news-print have been among the commodities flowing in increasing volume from the Dominion to the Republic. Since the Hyde Park Declaration was issued, arrangements have been made to increase purchases of war materials from Canada by the United States, and, in addition, certain war equipment which Canada produces in substantial quantities.

War equipment which Canada is able to export to the United States includes certain types of small arms, some guns and ammunition, certain explosives and chemicals, certain armed fighting vehicles, corvettes and mine-sweepers, aluminum and other metals and materials. There are also some types of clothing and textiles, leather, rubber and timber products and various secret devices in which Canada could probably make an important contribution if these were desired.

Canada Must Still Conserve United States Dollars

The Hyde Park Declaration, though a magnificent contribution to the common struggle in which Canada and the United States are engaged, does not remove the need for the conservation of United States dollars, as outlined on pages 53-55. The most reasonable estimate of the magnitude of the Hyde Park Declaration's effect on Canada's supply of American dollars still leaves a considerable deficit in Canada's balance of payments with the United States.

Because of this situation the Canadian Government has reluctantly decided not to release funds for travel in the United States by Canadians for other than business, health, educational or other urgent reasons. As heretofore, of course, any Canadian can visit American relatives or friends who provide the United States funds for the purpose.

A Sound Canadian Economy Benefits Americans

Because the American and Canadian economies are very closely joined, Canada's efforts, under the stress of war, to preserve a sound financial position, have been of real benefit to Americans. Measures to safeguard the Canadian economy have protected the \$4,000,000,000 which Americans have invested in Canada. Although it has been necessary to restrict the movement of capital out of Canada, Americans are allowed to withdraw, at the full official rates of exchange, all forms of current income from Canada. During the present fiscal year (April 1st, 1941, to March 31st, 1942) Canada will pay an estimated \$238,000,000 in interest and dividends to United States investors. The attractiveness of Canada as a field of investment has not been impaired by the war, and millions of American dollars have been invested in the Dominion since the outbreak.

Further Significance of Hyde Park Declaration

The Hyde Park Declaration has a significance over and beyond its financial importance to Canada. The net result of the Declaration, it is expected, will be that the United States and Canada, each concentrating on the materials of war which it can produce best and most quickly, will become one strong team, working and producing according to a carefully planned program which will ensure the most rapid possible supply of war materials to Britain and her embattled allies and the most efficient provision of defence articles for North America.

Discussions on Economic Co-operation

The Material Co-ordination Committee of the United States and Canada has been appointed and has had several meetings. It consists of two United States and two Canadian representatives, all government officials and experts in their fields, whose task is to collect and exchange information on raw material supplies of the United States and Canada, in order that all sources may be made known to those responsible for war production.

Canada and the United States have established joint committees of inquiry to "explore the possibility of a greater degree of economic co-operation" between the two countries. The committees, which are known as the Joint

Economic Committees, "have been instructed to study and to report to their respective governments on the possibilities of: (1) effecting a more economic, more efficient and more co-ordinated utilization of the combined resources of the two countries in the production of defence requirements (to the extent that this is not now being done); and (2) reducing the probable post-war economic dislocation consequent upon the changes which the economy in each country is presently undergoing. The Committees have met both in Washington and in Ottawa and discussed, among other matters, arrangements to increase Canada's exports of war equipment to the United States, shipping, priorities, civilian consumption restrictions, other war-time problems common to the two countries, and post-war questions.

The close attention which the problem of integration is receiving from these committees and from other officials, augurs well for the success of a continental supply policy. One instance of this integration is the setting up of an informal joint committee of Canada and the United States to assure that facilities and supplies are used to the best possible advantage to meet the present heavy demands for chemicals and explosives.

Canada and the United States Co-operate for Defence

The United States and Canada have co-operated in several specific measures which are advantageous to the defence of this continent and to Canada's war effort. In November, 1940, the Canadian and American governments arrived at an understanding which allows the construction of armed naval vessels on the Great Lakes. This allows both Canadian and American shipyards in this area to throw the full weight of their productive capacity into naval work. The construction of armed naval vessels on the Great Lakes had been virtually prohibited by the Rush-Bagot Agreement of 1817.

In March, 1941, representatives of the United States and Canadian governments signed an agreement to construct the St. Lawrence waterway. The agreement is subject to the approval of the United States Congress and of the Canadian Parliament. If the waterway is undertaken, it will provide both the United States and Canada with large supplies of additional waterpower for defence industries and will make possible the construction of large ships in Great Lakes yards.

Canada is co-operating with the United States in using a maximum of water-power at Niagara for defence purposes. By exchange of notes on May 20th, 1941, between the Canadian Minister to the United States and the Secretary of State of the United States, arrangements were made for the immediate utilization of additional water at Niagara for power development. In this manner, most of the additional Hydro electric capacity of the Niagara plants was put to work for defence purposes and it was made possible to increase the production of vital war materials for both countries and also for Britain. The agreement embodied in this exchange is of a temporary character and is subject to important restrictions.

For some time the Canadian Shipping Board has been endeavouring to make arrangements whereby Canadian vessels could assist in the carriage of the greatly increased quantities of American ore which need to be moved this season on the Great Lakes. Several meetings have been held with Canadian lake operators and a careful survey has been made of the problem. The latter is complicated by the fact that the Canadian Great Lakes fleet, already reduced by the transfer of a large number of vessels to British services, is already fully engaged in a number of ways. It is carrying ore and coal for Canada's own defence industries, moving grain for export to Britain and carrying certain other important commodities largely or entirely dependent upon water transportation by reason of the fact that no railway facilities serve production centres. However, at the request of the Canadian Shipping Board, Canadian owners of Upper Lake vessels have already made a considerable number of ships available to assist in the movement of American ore.

Various steps in respect to shipping taken from time to time by the United States Government have been of great assistance to Canada's economic war effort.

Canada and the United States Plan Joint Hemisphere Defence
(See also page 24)

The United States and Canada are also co-operating in plans for the defence of this hemisphere. Since the Ogdensburg Agreement of August, 1940, the Permanent Joint Board on Defence has been in operation, and it has now worked out its plans for the defence of North American coasts by Canada and the United States against any possible attack.

For some time Canadian and American troops have been stationed side by side in Newfoundland. Canadian soldiers were for a year in Iceland, where they helped to build the defences of that strategic island, now guarded by British and American troops. In Greenland, which the United States has taken under its protection, Canada has been assured access to any bases which the United States may build.

Canada Gets American Destroyers


In September, 1940, the United States transferred fifty "over-age" destroyers to Great Britain in exchange for 99-year leases on bases in British possessions in the western hemisphere. Six of these destroyers were transferred to the Royal Canadian Navy and are at present playing an important part in its work.

Americans in the Canadian Armed Forces

An even more direct and striking American contribution is the arrival in Canada of American volunteers for the Canadian armed forces. About 8% of the air crew trained or in training in the R.C.A.F. are Americans and 600 American fliers are acting as instructors for the Air Training Plan. Americans in the R.C.A.F. now wear a distinguishing badge "U.S.A." on the shoulder. More than 7,000 Americans are serving with the Canadian Army. Many of these airmen and soldiers have already gone overseas.

While the Canadian Government has made no effort to enlist United States citizens, it has ruled for the convenience of those who come to Canada to volunteer, that persons who, by taking the usual oath of allegiance to the British Crown, would thereby lose their nationality, do not have to do so if they wish to enlist in Canada and are otherwise acceptable to the Canadian authorities.

CANADA "LEND-LEASES" TO BRITAIN




From the beginning of the war to June, 1941, apart from British goods sent to Canada, Britain needed about a billion dollars to cover her purchases in the Dominion.

Britain paid about a quarter of this sum in gold, but Canada had to send more gold than this to the United States in order to fill her British orders. Canadians supplied the rest of the dollars Britain needed to pay Canadian producers. To June, 1941, this amounted to about \$750,000,000.

During the present fiscal year (April 1st, 1941, to March 31st, 1942,) Canada will export goods and war equipment to Britain to the value of \$1,500,000,000—\$23,000,000,000 in terms of the relative national incomes of Canada and the United States. Canadians will provide Britain with the bulk of this money.


The Dominion, it is clear, is not demanding "cash on the barrel-head" for her aid to Britain.

CANADA PAYS CASH FOR AMERICAN SUPPLIES




Canada has bought increasingly large amounts of war supplies in the United States. In 1939 her imports from the United States were valued at \$497,000,000. In 1940 they soared to \$744,000,000. In the present fiscal year (April 1st, 1941, to March 31st, 1942) they are expected to reach \$953,000,000. Of this amount at least \$428,000,000 will be spent on war supplies, some of which will be materials and parts to be manufactured in Canada for Britain. The latter are being transferred to Britain under the lend-lease plan via Canada. But Canada, herself, is not obtaining supplies under the plan. She pays cash for her own purchases in the United States.

CANADA SENDS TROOPS OVERSEAS



Canada has sent more than 100,000 volunteer soldiers, sailors and airmen overseas. By the end of this year Canada will have four army divisions, one of them armoured, and a tank brigade overseas; the number of Canadian airmen overseas will be equal to a division of infantry; and Canadian naval vessels will play, as now, an increasingly effective part in the war at sea.

CANADA DRAFTS MEN FOR HOME DEFENCE



Canada is now drafting single men 21 to 24 years of age for home defence for as long during the duration of the war as the Government requires them. During their period of four months' basic training they are given an opportunity to volunteer for service anywhere with the Navy, Army or Air Force. Of those who have so far been drafted, a large number have volunteered. The rest are being posted to the Active Army on Home Defence for full-time service. Postponements have been granted to key workers in war industries, and in other cases where it was in the public interest to do so.

Thus, single men aged 21 to 24 are being called for full-time service with the armed forces at home, or abroad if they volunteer for such duty. By law, all single men aged 19 to 45 are liable to be so called.

SOME OF THE WAR'S EFFECTS ON CANADIAN CIVILIANS

They—pay three times as much in taxes as they did before the war

—have loaned the Government since the outbreak of war a sum of money equal to the total to be collected in taxes during the present fiscal year

—are voluntarily contributing millions of dollars to war charities

—face an 11% rise in the cost of living since the outbreak of war

—can get no new models in automobiles, radios, etc., till the end of the war

—will have less than half as many new automobiles on the market in 1942

—can get only very limited supplies for “non-essential” purposes of machine tools and of essential materials such as iron, steel, aluminum, nickel, zinc, and silk

—face a sharp reduction in civilian supply of other materials and commodities

—cannot buy gasoline or motor oil on Sundays or between 7 p.m. and 7 a.m. on week days

—can erect no new building or additions costing more than a fixed amount unless they are approved as necessary

—can purchase only a few “non-essential” products from the United States, in order that war materials and equipment may be bought there in increasing quantities

—cannot get funds to travel in the United States, except for urgent reasons

—cannot hold foreign exchange

—cannot export capital

—have been asked to eat less of certain foods in order that more may be sent to Britain

—are being urged to save all salvable waste material and to conserve perishable food-stuffs.